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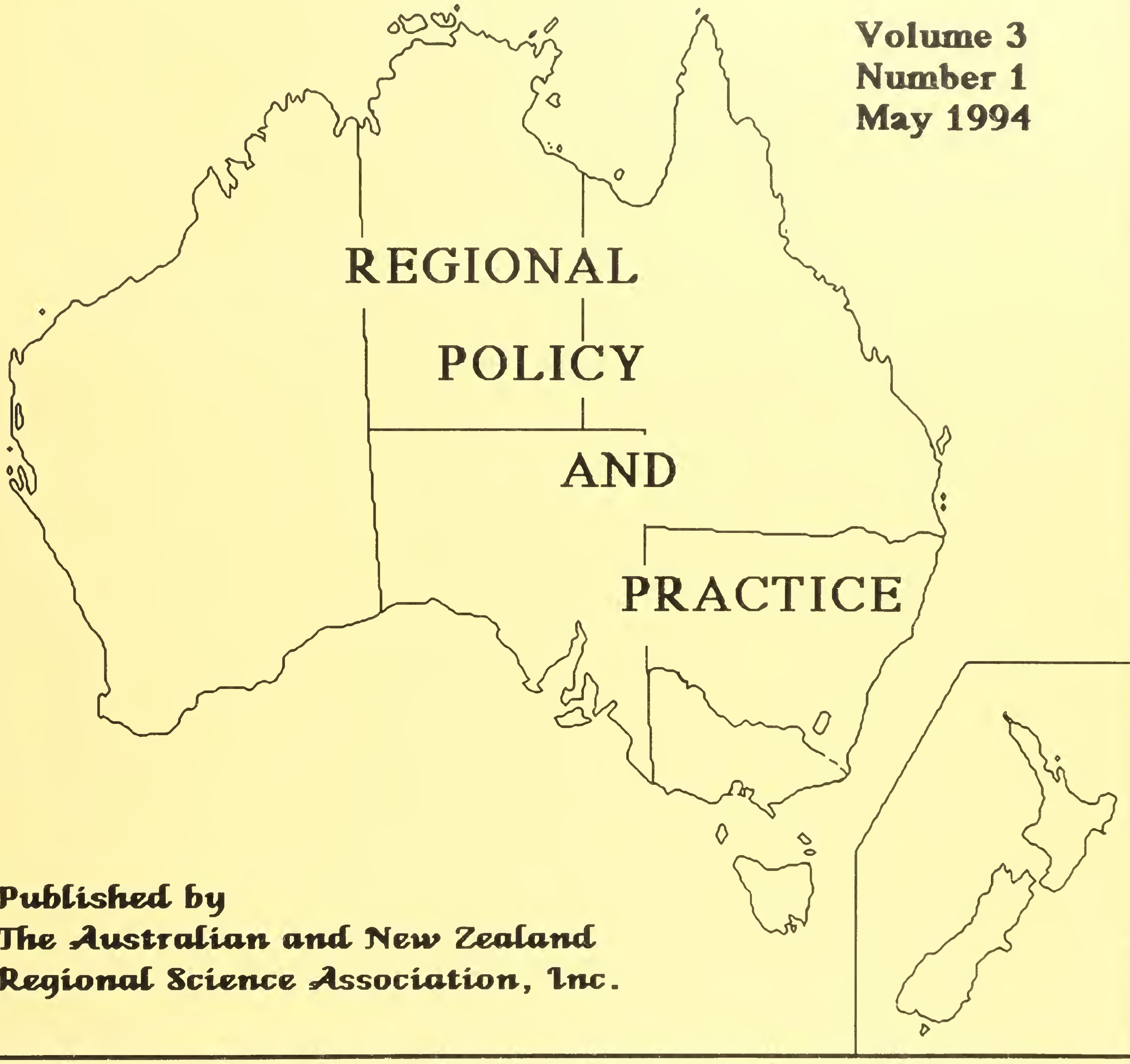

# REGIONAL POLICY AND PRACTICE

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# Regional Policy and Practice

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***The Australian and New Zealand Regional Science Association Inc. is a non-profit organisation dedicated to the promotion of efficient and effective regional development policies through research, education and the discussion of ideas.***

# Editorial

**On the White Paper, 'Working Nation'.**

Few readers will be unaware of the Federal Government's White Paper entitled 'Working Nation' delivered by the Prime Minister to the House of Representatives on may 4th. The Paper focused mainly on strategies designed to reduce unemployment, especially among those out of work for a long time. However, it also contained strategies to increase regional development given that unemployment tends to be concentrated in some areas. These include the western suburbs of Sydney and Melbourne, such industrial cities as Newcastle, Wollongong and Geelong, some coastal regions like the North Coast of NSW, and many small inland country towns.

The regional development component of 'Working Nation' is extremely modest when compared to DURD's programs during the Whitlam era. It has five components: improving finance options; facilitating infrastructure investment; encouraging best practice; promoting export activity; and better program delivery. The cost of the main package is estimated at about $150 million over four years, or less than $40 million per annum. Some additional costs, including tax revenues foregone and the accelerated construction of Badgerys Creek airport, raise gross expenditure a little. The total, even before substantial administrative costs are deducted, would buy only a few floors of a Sydney office tower. Expenditure therefore falls far short of what regional interests would have expected in the light of the Kelty Taskforce Report.

Let us examine some of the White Paper's provisions in more detail. In a move that will be welcomed by most regional development practitioners, some $80 million of that is ear-marked for a Regional Best Practice Program. This is designed to support regional development organisations and fund the formulation and implementation of regional development strategies. Thus it aims to improve the analytical and management skills of those charged with promoting local development - a requirement identified strongly by the Kelty Taskforce.

We do not yet know the program's operational details: who will be eligible for financial support, how they apply, what kinds of projects will be funded, or other administrative arrangements. However, I believe strongly that regional economic advancement depends primarily on the efforts of local business and civic leaders. If this program succeeds in enhancing the leaders' economic literacy and management skills, it may prove one of the more cost-effective strategies developed by the federal government. Perhaps the ANZRSA, as one of the principal repositories of regional development expertise ought to seek a role in the program's delivery.

I have several words of warning. The money needs to be targeted on a small number of regions and actors where development problems are substantial and the prospects of successful development outcomes are likely. A scatter-gun approach is likely to dissipate resources with little to show for the expenditure. Moreover, it ought to target innovatory practice and the dissemination of outcomes. The government must dedicate as little of the money as possible to administration which only serves to boost Canberra's economy at the expense of the rest of the nation. Finally, the program's effectiveness requires careful evaluation.

Another $70 million is dedicated to a Regional Infrastructure Fund. This set alarm bells ringing in my mind. To start with, there is no definition of infrastructure, a term which, if construed widely, could even encompass educational and medical facilities, telecommunications links, and sources of power. The sum allocated is also tiny given typical infrastructure costs. This raises the prospect of money being spread too thinly to have any substantial effect. There is some doubt, too, that infrastructure supply is a critical element in most regions' failure to develop fast enough. Although the Kelty Taskforce identified lack of quality infrastructure as an impediment to regional expansion, it did not rate highly with the Industry Commission while McKinsey & Co explicitly viewed it as a relatively minor consideration. The problem with infrastructure investment in country areas is that it is a two-edged sword. A frequent outcome is that the capital cities and, to a lesser extent, regional cities benefit at the expense of smaller places.

The White Paper requires that infrastructure

projects demonstrate a high level of public benefit (consistent with regional strategy) and innovation before they proceed. However, there is no definition of what constitutes a 'high level' of public benefit. One could argue, as in effect did the Industry Commission's Draft Report, that investment should occur where benefit-cost ratios are highest nationally in order to minimise opportunity costs and maximise returns from scarce public capital.

The regional package also recommends improved efficiency in the delivery of existing government programs. In line with Industry Commission and Kelty recommendations, it identifies the elimination of program duplication, program co-ordination across tiers of government, a reduction in the multiplicity of programs, and delivery of better advice about programs. This is praiseworthy, if only it can be made to stick. Students of political and bureaucratic behaviour will join with me in expressing doubt as to whether much can ever be achieved in this direction. Governments find it too attractive to develop new 'initiatives', while the attrition rate for old programs tends to be slow in order to appease existing beneficiaries.

The notion of increased inter-government consultation to give added focus to regional issues and policies is also praiseworthy, but difficult to implement. This time the problem lies in the unequal weight between governments, in questions of trans-government co-operation and in the fact that spatial policy is subordinate to line departments. The Commonwealth dominates the other tiers and its principal focus is, for good reason, national rather regional well-being. At both State and Federal level, the line departments jealously guard their autonomy and implement service delivery strategies, which frequently have spatial ramifications, according to their own internal agendas. Worse still, departments charged with spatial well-being are often low in the bureaucratic pecking order on account of their fuzziness. Line departments tend to be much more focused and therefore able to win bureaucratic battles. Good intentions may therefore fall well short of the mark.

The Kelty Taskforce set considerable store by increasing the availability of capital for infrastructure and industry. This influenced the White Paper's proposal to widen the eligibility for Pooled Development Funds (PDFs), extending the applicability of Infrastructure Bonds, improving access to the Commonwealth Development Bank, and freeing up finance for small business. I have said before that there are major problems with the first two of these. Where, for example, are the fund managers with sufficient expertise to yield the high competitive returns expected from risky portfolios involved in Pooled Development Funds? The reduction in the tax rate on returns from investment in Small and Medium Sized Enterprises (SMEs) from 25% to 15% may make little difference to the funds available, especially in the early stages when the PDFs have no track record. Like the MICs before, I expect the track record to remain patchy in the longer term.

Infrastructure Bonds have flopped badly to date. One reason lies in their inherent riskiness. Infrastructure projects have long lead times and returns stretch even further into the future - up to 20 or 25 years in many instances. It is difficult to forecast both costs and revenues, and therefore returns, that far ahead. Such sources of capital as superannuation funds operate conservatively and may well find that the announced tax breaks are insufficient to compensate for the risks involved. The use of private capital in public infrastructure also poses considerable administrative difficulties in many instances. It is not easy for governments to (a) set their infrastructure priorities and attract capital to the items that government rather than the market prefers; (b) specify projects; (c) establish a competitive and clearly articulated tender process; (d) pitch the appropriate level of government guarantee; (e) observe loan council guidelines; and (f) develop water-tight contracts.

Nor is it easy to free up capital for small business. The banks and other financial institutions tend to have national (or state) rather than regional lending policies. Thus their loans to SMEs reflect businesses' inherent merits when viewed from a national perspective. The best that might be achieved is to cajole financial institutions to improve the quality of management in rural areas so that worthwhile projects are recognised and considered favourably.

These comments may appear unduly sceptical. I prefer to think of them as realistic. All the enquiries of the past year – by the Industry Commission, the Kelty Taskforce, and McKinsey and Co. – seem to have yielded little advance on the *status quo*. This is despite the widespread recognition of regional

problems stemming principally from the recent recession and on going structural adjustment across much of the country. What will happen to policy when unemployment declines in the wake of (probable) sustained economic growth?

Thank you for bearing with me thus far. I accept full responsibility for the matters raised. If you have any opinions of your own on the subject matter raised by this editorial please write and let me know. I would like to include letters on the subject in the next edition of Regional policy and Practice.

Meanwhile, this issue contains widely contrasting articles pertaining to regional analysis, management and development. Diana Day considers the management of NSW water resources. She emphasises the importance of informing local people (or local government) about, and of involving them in, policy formulation. Adams and Dixon forecast the prospects for Australian industries and states over the middle parts of this decade. Such information might assist regional communities in targeting appropriate industries to propel local development.

These are followed by two articles on regional development practice by McRuvie and Taylor, and by Graham Oke, a topic about which they are well qualified to speak given their considerable real-world experience. Both these papers continue our policy of publishing significant contributions to our annual conference.

Finally, we include a contribution from one of our new editors, Sean Bevin. Sean works in a regional development capacity with Napier City Council and is well qualified to introduce us to New Zealand regional development practice. It stands in sharp contrast to what Australia's federal government is trying to achieve through the 'Working Nation' strategy. Basically, New Zealand's path towards central government disengagement from local affairs has thrown considerable responsibility for economic growth on to local and regional authorities.

Tony Sorensen,

16 May 1994.•

# Regional Implementation of Natural Resources Management Policies in NSW

**DIANA DAY**

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*(The views of the author in this paper do not necessarily represent those of the NSW Department of Water Resources).*

[*Editorial Note*: One of the critical factors affecting regional development in many parts of Australia is the availability of good quality water supplies. This article on water planning is a timely reminder of that fact. It explains some of the management and policy approaches adopted in NSW to improve the quality of water supplies and protect the environment.]

## Water Planning in NSW

The NSW Department of Water Resources is the state's water management agency. Major legislation under which this role is undertaken is the Water Act 1912 -, Water Administration Act 1986, Rivers and Foreshores Improvement Act 1948 -, and the Murray-Darling Basin Act 1987. The Department's main functions are to supply water to multiple uses and values and to strategically plan to meet society's future water resource needs. These include the sharing, use and protection of water and the environment.

Key performance areas for the department are state resource planning, water sharing, water supply, environmental management, water quality and business performance. Priority areas in 1993 were clarifying its wider natural resource management role and external relationships with other agencies, promoting community and customer consultation, progressing corporatisation/privatisation of the irrigation areas and districts, maximising responsiveness to the business environment and nutrient and salinity management.

Over the past decade the Department has decentralised its specialist management, technical and operations staff (60%, 1000) to eight regions in NSW with a head office at Parramatta, Sydney. Across these Regions,

representative of all the states biogeographic and socio-economic variability, natural resources management policies are implemented. Indeed, there are a host of such policies. They are developed to facilitate management of water allocation, water quality, irrigation areas, extractive industries in rivers, riverine environments, floodplains and how to apportion river flows to environmental as well as industry needs.

### A Survey - Do Natural Resource Management Policies Work?

A major issue confronting resource management agencies is how natural resources policies are implemented and if they really work. In 1993 a survey was made of regional directors, scientific, water licensing and catchment management staff across the Department of Water Resources', eight Regions, the Barwon, Hunter, Lachlan, Macquarie West, Murray, Murrumbidgee, North Coast and South Coast Regions.

This survey considered staff views, perceptions and experience of key state resources policies and the effectiveness of implementation process and outcomes. The Department needed to know if natural resource management policies were clear, if policy implementation worked, whether the process needed new or additional guidelines or related sub-policies or even further, a high shift in emphasis. This survey made no comprehensive assessment of whether policies or activities were significantly affecting hydro-ecological stability or quality. A key issue was whether government saw it was managing natural resources more effectively according to set goals.

Information gathered was qualitative through interviews with the staff at each regional office. Staff were asked a range of questions including whether they were aware of the policy, did they find it useful, did implementation work or were there any conflicts with clients? Other issues explored were regional/community education, whether new natural resource management policies were needed, how communication could be enhanced and what training opportunities were necessary to enhance water management.

### Some of the Policies

A suite of resource management policies have been developed by the Department and in conjunction with the NSW Water Resources Council, a co-operative and collaborative forum of government, private sector and environment representatives. Policies reviewed in this survey included the Interim Wetlands Policy, Unregulated Streams Policies, and various Water Licensing Policies. Further key policies and their management objectives are shown in Table 1.

### Policy and Practice

The survey indicated that pressing regional natural resource management issues varied significantly across the State. There was too much water in the south (waterlogging), and far too little in the north (water shortage, droughts). Physiographic variability such as river channel shape and whether rivers were incised or not meant that application of the Interim Riparian Zone Policy, which gives consideration to protection of riparian zones along all the natural drainage lines, would vary markedly between inland semi-arid zones and coastal high rainfall zones. Some policies gave little recognition to such landform variability and indeed the sensitivity of landholders. Introduction of the Riparian Zone Policy (Discussion Paper) had a hostile community reception in the north coast of NSW. Here landowners perceived their access and use of riparian lands was compromised. In the far west and southern NSW this policy discussion paper was not contentious.

**".... pressing regional natural resource management issues varied significantly across the State."**

Some Regions were generating their own regional policy documents, but not all other Regions or head office knew of some of these. Many so called 'State' resources policies (Table 1) were seen to be too general and of little direct assistance to the regional practice of resource management. Here catchment managers needed guidelines and strategies to make immediate decisions or actions on local problems. There was frequently little in place to support such decisions.

Many State policies initially gave no support in the critical area of implementation guidelines, examples or action lists. Extreme community discontent in the case of the

| Policy | Management Objectives |
|---|---|
| State Rivers and Estuaries Policy | Aimed at arresting deterioration of rivers and estuaries. Includes riverine restoration and State of rivers reporting. |
| Groundwater Quality Protection Policy | To protect the states groundwater resources. To prevent deterioration, maintain multiple uses 'sustainability'. |
| Riparian Zone Policy (Discussion Paper and Interim Policy) | Protection of geo-ecological zones along rivers. Includes rehabilitation, education, community action, environmental guidelines for 'river works'. |
| Sand and Gravel Extraction Policy for Non-Tidal Rivers | To ensure sand and gravel extraction from rivers is on a 'sustainable' use basis. To manage extraction to reduce deleterious impacts. |
| NSW Drainage Policy | To manage irrigation areas and districts 'sustainability'. To attach causes of land degradation such as rising ground water and salinity. |
| State Water Quality Policy | Provides principles and strategies for management and restoration of surface water. Focus on integrated catchment management. |

**TABLE 1**
**Key natural resource management policies.**
(See: The Water Policy Dossier, NSW Dept. of Water Resources, 1993).

Riparian Zone Policy (Discussion Paper) led to the introduction of the more specific interim policy. And as often occurs in many regionalised organisations, regional staff felt they needed to be consulted more by policy development staff at head office.

The key finding was just this communication need. More effective communication was seen as essential between Regions and Head Office and terms of written information, ongoing consultation and participation on project teams. In particular the importance of face to face meeting of Head Office managerial and executive and support staff in the regions was stressed by all Regional offices. Direct and personal feedback and information sharing was valued most highly. This was in every aspect of the policy development, implementation and evaluation process.

**Policies as Documents**

Very quickly it was identified that the actual size, structure, readability and objectives for policy documents and discussion papers needed radical change. Some suggested enhancements were:

- more professional editorial/writing expertise in policy documents. Many of these were too wordy and written by in-house technical and policy staff but not for easy understanding by wider audiences.
- reduction in length of policy papers for public distribution and the importance of an additional 1 page lay-person's summary. Policy papers were on average far too long and detailed for a public audience. Adequate summary statements are vital for all customers, but missing.
- separation of policy statements from background, guidelines, implementation

strategies and appendices. Many documents were too wordy and integrated key aspects. Separation of context was needed for better understanding and implementation.

- action lists on how to deal with a policy. Resource management staff stressed the need for advice on how practically to deal with a policy in the form of action list procedures.

- more face to face contact was needed between head office and Regions to outline new policy issues and papers and to work to make policies regionally applicable. Staff wanted face to face meetings, to be told about the policies, how they would work and to raise questions directly with other policy makers and co-ordinators. No documents or telephone calls or correspondence were seen as a substitute for this personalised understanding which was rated very highly.

**More Information**

Several resource areas were seen as needing more technical and background information support. These included all aspects of wetland management including defining the inter-jurisdictional responsibilities among state agencies.

The wider context of institutional arrangements in water quality management in NSW and at the Commonwealth level was an area of major interest. This was due to conflicting areas of interest and responsibility in the water quality management arena and the need to be increasingly aware of state and national guidelines in water quality assessment. Other information needs were further literature reviews on riverine ecology, river health indicators and natural resources management. These were all needed to support rapidly changing and enhanced responsibilities in this area. Information for local government and local and regional environmental planning advice was stressed by all the main Regional Offices at Sydney (South Coast), Muswellbrook, Grafton, Moree, Dubbo, Forbes, Leeton and Deniliquin. The importance of increasing advice on natural resources issues to local government was stressed by all Regions. Discussion papers, information sheets, meetings and policy documents were all seen as vehicles for this purpose.

**Education and Research**

Regional Directors and their staff have an increasing role in community consultation and information sharing in natural resources management.

So Regional offices were keen to benefit from further media liaison and public relations advice from Head Office to assist them in community education programs in catchment management such as 'Streamwatch' and sustainable resources planning. It was thought that further staff training in dealing with public disputes was important to this process.

This included conflict resolution strategies to deal with resource use conflicts and difficult public meetings. Support in terms of further training in preparing competitive research grant applications was also seen as significant.

**Reversing the Process - Implementation**

In the policy and practice of regional water planning in NSW there has been a noticeable gap between the presence of state resources policy documents and technical information and defined processes for implementing those policies. While many policies enhanced information about natural resource management issues, there was little direction about how to implement the policy toward a sustainable environmental management outcome.

As a result more recent policies, such as the Interim Policy for Riparian Protection Zones have included more explicit implementation priorities. Considerations include in this case, a refusal of approval for works in the riparian zone where there is significant impact on bank stability, channel integrity, habitat value, or buffer/filter status for sediments and pollutants.

With the refinement of implementation processes has been related evaluation of the community involvement process at the beginning of policy development. For main policy initiatives the Department has now adopted a more lengthy and costly but effective process. It begins with ministerial agreement to a possible policy agenda, community workshops to identify issues, draft policies to follow with community steering committee input and release of that draft for

public discussion. Only then is the draft policy released for discussion and re-working through many state-wide workshops. Finally the draft is submitted to the Minister for consideration. Planning time and costs are high for this process however wider comprehensive involvement leads to much more effective and finally quicker implementation. This process allows for particular involvement of the 12 rural and 10 urban catchment management committees throughout NSW as well as river advisory committees and Boards.

**Communicating Regional Issues**

This review of the status and practice of natural resources management policies indicated a heightened need for further communication between 'head office' policy-makers and regional management implementation units. It also showed the need for developing regional water planning policies on the ground, within the region. While this is the trend it must be more of a focus for the next decade.

**"... the need for developing regional water planning policies on the ground, within the region."**

The complexity of NSW agro-ecological zones and water based land use indicates a further need to make policies relevant to a particular river valley or groundwater resource. In this context the Department is initiating Valley Management Plans and Land and Water Management Plans to deal with holistic catchment based planning and the realities of accelerated environmental degradation. It is certainly time for all agencies to scrutinise the utility of natural resources policies to the so-called 'faux' of 'sustainable' management of water, land, soil and biotic resources. A multiplicity of land and resource management agents with continuously changing responsibilities makes this approach difficult. Comprehensive assessments of whether current resource management policies are significantly affecting regional natural resource status and what this means are very few and far between.•

## Prospects for Australian Industries and States in the 1990s

**PHILIP D. ADAMS AND PETER B. DIXON**

Centre of Policy Studies, Monash University

This paper describes forecasts generated by the MONASH[1] model of the Australian economy.. MONASH divides the economy into 112 industries and 6 states (ACT is included in NSW and NT is included in South Australia). As is apparent from Figure 1, MONASH produces forecasts for industries and regions, taking account of forecasts for particular aspects of the economy prepared by specialist organizations. Here we use:

- macro forecasts from Syntec[2],
- tourism forecasts from the Bureau of Tourism Research[3],
- forecasts of tariffs and subsidies from the Industry Commission[4], and
- forecasts of quantities and prices of agricultural and mineral exports prepared by the Australian Bureau of Agricultural and Resources Economics[5].

The paper is divided into three sections. First we consider the Australian economy at the macroeconomic and sectoral levels. Then we look at the States and industries in more detail. The final section contains brief concluding remarks.

### Macro and Sectoral Prospects

Figure 1 and Table 1 give MONASH results for the Australian economy for the period 1990-91 to 1996-97. In accordance with Syntec's macro forecasts, Figure 1 shows Australia experiencing an elongated but subdued recovery. GDP growth reaches 2.8 per cent in 1992-93 and remains close to that level through to 1996-97. Peak growth is only 3.1 per cent, well below the peaks in the cycles of the 1970s and 80s.

Growth in Australia is heavily influenced by world growth. Vigorous world growth improves Australia's terms of trade (export prices compared with import prices). An improvement in the terms of trade increases income and expenditure in Australia.

**Table 1: Australia-wide Sectoral Ranking**

| Rank | Sector | Average annual growth rate, 1990-91 to 1996-97 |
|---|---|---|
| 1 | Transport and storage | 3.60 |
| 2 | Recreation and personal services | 3.56 |
| 3 | Mining | 3.41 |
| 4 | Wholesale and retail trade | 2.75 |
| 5 | Community Services | 2.65 |
| 6 | Communications | 2.53 |
| 7 | Public administration and defence | 2.53 |
| 8 | Financial and business services | 2.44 |
| 9 | Electricity, gas and water | 2.34 |
| 10 | Food, beverages and tobacco | 1.75 |
| 11 | Metallic mineral products | 1.72 |
| 12 | Wood, wood products and printing | 1.59 |
| 13 | Paper, paper products and printing | 1.39 |
| 14 | Agriculture, forestry and fishing | 1.27 |
| 15 | Transport equipment | 1.15 |
| 16 | Non-metallic mineral products | 0.51 |
| 17 | Other machinery | 0.32 |
| 18 | Construction | 0.17 |
| 19 | Chemicals and petroleum | 0.16 |
| 20 | Other manufacturing | -0.17 |
| 21 | Textiles, clothing and footwear | -1.55 |

It also relaxes the balance of payments constraint on our growth and allows higher real wage growth to be compatible with any given level of employment growth.

The shape of the Australian recovery being forecast in Figure 1 reflects the likely shape of world recovery. At present, the US is in the upswing phase of its business cycle whereas Japan and Germany are still in downswings (see Figure 3). This unusual lack of synchronization between the cycles of the major economies suggests a flattened recovery phase in the 1990s for the world economy, and thus for Australia.

Despite average GDP growth over 1990-91 to 1996-97 of only 2.4 per cent, Australia is likely to experience rapid growth in its international trade. The forecasts in Figure 1 for exports and imports imply average annual growth rates of 7 per cent. As in the 1980s, strong growth in Australia's trade will be encouraged in the 1990s by, among other things, cuts in tariffs, improvements in telecommunications and reductions in transport costs for both people and freight.

With rapid growth in international trade, the sectors of the Australian economy with the best growth prospects are those with large shares of their activities in exporting or in the facilitation of trade. Consequently, in Table 1, transport and storage heads the sectoral growth rankings. Services from this sector are used intensively to facilitate the delivery of exports to ports of exit and to distribute imported goods from ports of entry.

In second place is recreation and personal services, including hotels and restaurants. Expected continuation of strong growth in expenditure by overseas visitors accounts for this sector's high ranking.

Australia's traditional exporting sectors are mining and agriculture. ABARE forecasts for mineral exports are sufficiently optimistic to give the mining sector third place in Table 1. However, agriculture, forestry and fishing is an exception to the rule that a large export share means strong growth. This sector has a relatively low growth ranking for several reasons including poor international price prospects, the wool stock overhang, current low levels of profitability and investment, and environmental concerns especially in forestry.

Most of the sectors near the bottom of Table 1 are those facing severe import competition, intensified in some cases by reductions in protection. Examples of sectors fitting this description are textiles, clothing and footwear, other manufacturing (includes leather, rubber and plastic products), transport equipment

Table 2: Comparative Advantage and Growth Prospects for Industries in NSW - 1990-91 to 1996-97

| | *Low Advantage* | *Medium Advantage* | | *High Advantage* |
|---|---|---|---|---|
| Good growth prospects | • Other minerals<br>• Milk products<br>• Milk cattle<br>• Non-iron metal ores<br>• Services to mining<br>• Iron ores<br>• Northern beef<br>• Oil, gas & brown coal | • Rail transport<br>• Public services<br>• Services to transport<br>• Restaurants & hotels<br>• Entertainment & leisure<br>• Residential building<br>• Personal services<br>• Wholesale & retail trade | • Water transport | • Black coal<br>• Air transport<br>• Railway rolling stock |
| Medium growth prospects | • Meat products<br>• Petrol products<br>• Agricultural machinery<br>• Fishing & hunting | • Wheat-sheep zone<br>• Other food products<br>• Utilities<br>• Metal products<br>• Glass and glass products<br>• Communication<br>• Ownership of dwellings<br>• Soft drinks<br>• Beer & malt<br>• Financial Services | • Road transport<br>• Scientific equipment<br>• Wood products<br>• Non-metal mineral prods<br>• Non-ferrous metals<br>• Seafood & sugar prods.<br>• Pulp & paper products<br>• Other alcoholic drinks<br>• Ships & boats<br>• Other farming | • Iron & Steel<br>• Other chemical prods<br>• Tobacco products<br>• Other manufacturing<br>• Printing & publishing |
| Poor growth prospects | • Rubber products<br>• Footwear<br>• Chemical fertilisers<br>• Vehicles & parts | • Construction machinery<br>• Clay products<br>• Other machinery<br>• Clothing<br>• Household appliances<br>• Plastic products<br>• Other construction | • Leather products<br>• Signs & writing equip.<br>• Pastoral zone<br>• Cement products<br>• Forestry & logging<br>• High rainfall zone<br>• Textiles | • Other electrical goods<br>• Aircraft<br>• Electronic equipment |

(mainly cars), other machinery (includes household appliances and electronic equipment), chemicals, paper, paper products and printing, and wood, wood products and furniture.

Construction has a low growth ranking in Table 1 because of the excess of office buildings inherited from the 1980s. The low position of the non-metallic mineral sector (glass, bricks, concrete) reflects its links with the construction sector.

**"... agriculture, forestry and fishing is an exception to the rule that a large export share means strong growth."**

The middle-ranking positions in Table 1 are occupied mainly by government-dominated sectors and other sectors having little connection with international trade. These domestically-oriented sectors include wholesale and retail trade, community services, communications, public administration and defence, financial and business services, and electricity, gas and water.

Food, beverages and tobacco, and metallic mineral products achieve middle-rankings because both these sectors contain a mixture of exporting and import competing activities.

Major export products in the food, beverages and tobacco sector are meat products, milk products, flour and cereal products and sugar. Industries in the sector facing intense import competition are fruit and vegetable products, margarine, oils and fats, confectionery and cocoa, and alcoholic drinks. Prospects for the sector are also damped by slow growth in domestic demand for low-income-elasticity products such as tobacco and bread, cakes and biscuits.

In the metallic mineral products sector, there are considerable exports of sheet metal products. On the other hand, there is a strong import presence in the Australian market for

**Figure 1: Macroeconomic Variables: 1986-87 to 1996-97**

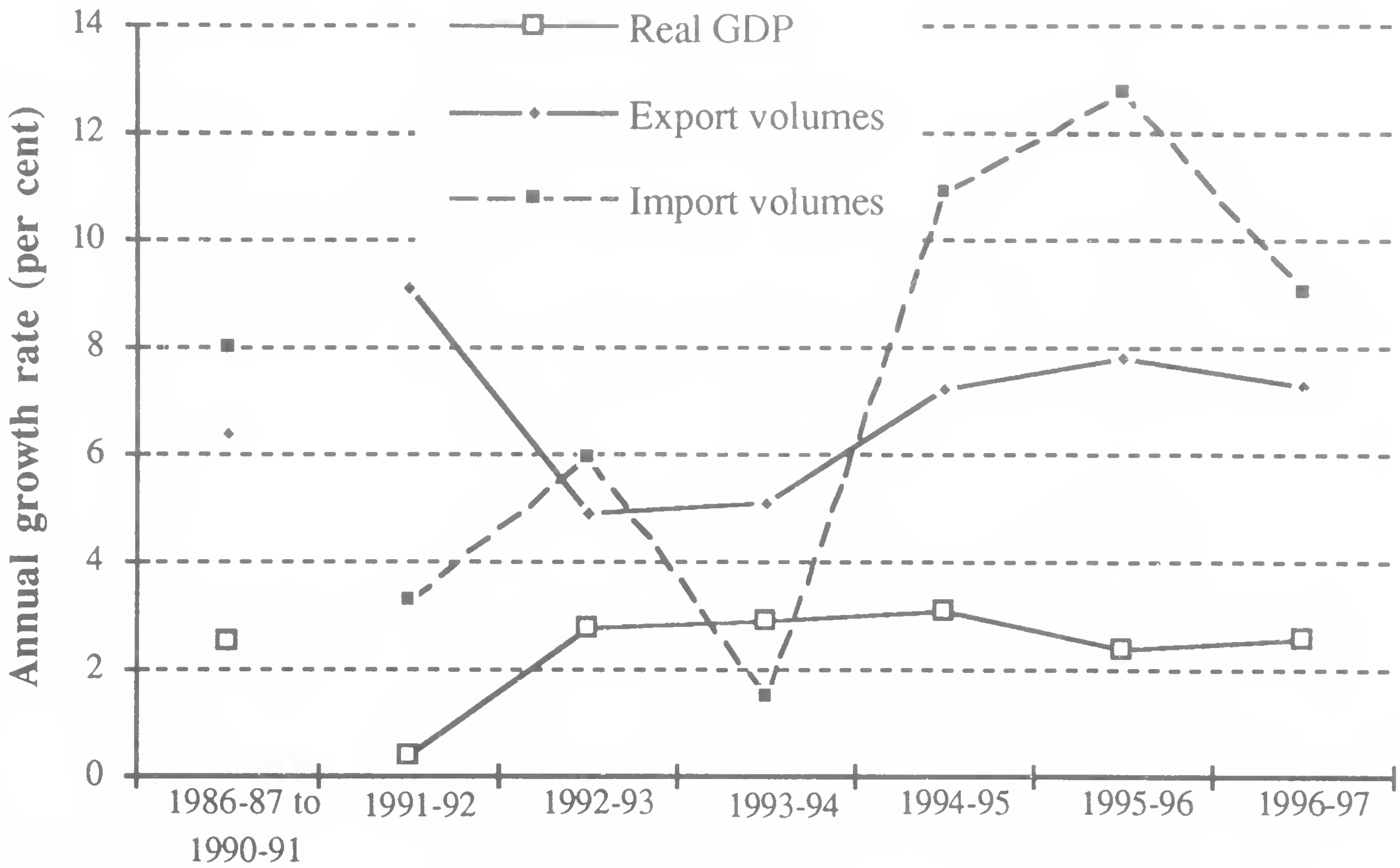


**Figure 2: State Macroeconomic Variables: 1990-91 to 1996-97**

Table 3: Comparative Advantage and Growth Prospects for Industries in Vic - 1990-91 to 1996-97

| | *Low Advantage* | *Medium Advantage* | *High Advantage* |
|---|---|---|---|
| Good growth prospects | • Rail transport<br>• Other minerals<br>• Services to mining<br>• Non iron metal ores<br>• Northern beef<br>• Black coal<br>• Iron ore | • Air transport<br>• Restaurants & hotels<br>• Wholesale & retail Trade<br>• Personal services<br>• Residential building<br>• Services to transport<br>• Water transport<br>• Railway rolling stock | • Oil, gas & brown coal<br>• Milk products<br>• Milk cattle |
| Medium growth prospects | • Petrol products<br>• Non-ferrous metals<br>• Wheat-sheep zone<br>• Other alcoholic drinks<br>• Fishing & hunting<br>• Ships & boats | • Other food products<br>• Metal products<br>• Glass & glass products<br>• Financial services<br>• Soft drinks<br>• Ownership of dwellings<br>• Entertainment & leisure<br>• Communication<br>• Beer & malt<br>• Utilities<br>• Meat products<br>• Public services<br>• Wood products<br>• Road transport<br>• Seafood & sugar prods.<br>• Iron & steel<br>• Other manufacturing<br>• Other farming | • Tobacco products<br>• Scientific equipment<br>• Pulp & paper products<br>• Agricultural machinery<br>• Other chemical prods.<br>• Printing & publishing<br>• Non-metal mineral prods. |
| Poor growth prospects | • Chemical fertilisers<br>• Pastoral zone | • High rainfall zone<br>• Clay products<br>• Cement products<br>• Other construction<br>• Forestry & logging<br>• Construction machinery | • Footwear<br>• Vehicles & parts<br>• Rubber products<br>• Textiles<br>• Aircraft<br>• Clothing<br>• Electronic equipment<br>• Plastic products<br>• Other machinery<br>• Leather products<br>• Other electrical goods<br>• Signs & writing equip.<br>• Household appliances |

fabricated metal products (e.g. door, window and furniture fittings).

## State and Industry Prospects

Export-oriented industries account for a relatively high proportion of output and employment in Queensland and Western Australia while import-competing industries are relatively important to Victoria and South Australia. Consequently, it is not surprising that Figure 2 shows Queensland and Western Australia with the best growth prospects among Australia's States and Victoria and South Australia with the worst.

Nevertheless, Victorians and South Australians should not be too depressed. The forecast growth rates for their States are only about 0.7 percentage points below that of high-flying Queensland (2.0 per cent a year compared with 2.7 per cent). The narrowness of the spread of growth rates in Figure 2 reflects the dominance in all States of domestically-oriented service industries, e.g. health, public administration, education, banking, telecom-munications and insurance. These industries are projected to have quite similar growth rates throughout Australia.

**"... forecasts of growth rates for NSW tend to be similar to forecasts of growth rates for Australia."**

As can be seen from Figure 2, NSW has a middle ranking among the Australian states in growth prospects for both output and employment. The NSW economy is about one third of the Australian economy and from a structural point of view, the two economies are quite similar. Both import-competing and export-oriented industries are well-represented

**Table 4: Comparative Advantage & Growth Prospects for Industries in QLD - 1990-91 to 1996-97**

| | *Low Advantage* | *Medium Advantage* | | *High Advantage* |
|---|---|---|---|---|
| Good growth prospects | • Oil, gas & brown coal<br>• Iron ore | • Other minerals<br>• Services to mining<br>• Water transport<br>• Services to transport<br>• Wholesale & retail trade<br>• Ownership of dwellings<br>• Residential building | • Personal services<br>• Restaurants & hotels<br>• Entertainment & leisure<br>• Public services<br>• Milk cattle<br>• Air transport<br>• Milk products | • Northern beef<br>• Black coal<br>• Rail transport<br>• Non-iron metal ores<br>• Railway rolling-stock |
| Medium growth prospects | • Other food products<br>• Glass & glass products<br>• Other manufacturing<br>• Printing & publishing<br>• Scientific equipment<br>• Other chemical products<br>• Iron & steel<br>• Pulp & paper products<br>• Tobacco products<br>• Other alcoholic drinks | • Non-ferrous metals<br>• Road transport<br>• Beer & malt<br>• Financial services<br>• Soft drinks<br>• Communication<br>• Fishing & hunting<br>• Wood products<br>• Utilities<br>• Metal products | • Non-metal mineral prods<br>• Wheat-sheep zone<br>• Ships & boats | • Petrol products<br>• Other farming<br>• Seafood & sugar prods.<br>• Meat products<br>• Agricultural machinery<br>• Cement products |
| Poor growth prospects | • Leather products<br>• Clay products<br>• High rainfall zone<br>• Plastic products<br>• Clothing<br>• Other machinery<br>• Forestry & logging<br>• Vehicles & parts<br>• Construction machinery<br>• Other electrical goods<br>• Household appliances<br>• Rubber products<br>• Aircraft<br>• Textiles<br>• Electronic equipment<br>• Footwear | • Other construction | | • Pastoral zone<br>• Chemical fertilisers<br>• Signs & writing equip. |

in NSW. Thus, forecasts of growth rates for NSW tend to be similar to forecasts of growth rates for Australia.

Neither import-competing nor export-oriented industries account for high shares of economic activity in Tasmania. This gives Tasmania a growth ranking in Figure 2 above those of Victoria and South Australia but below those of Queensland, Western Australia and NSW.

The relationship between the industrial structures of the States and their relative growth prospects is elucidated further in Tables 2 to 7. These disaggregate each State economy into 70 industries, with each industry allocated to one of nine panels.

In the vertical direction, the panels divide the industries into those with poor growth prospects (less than 0.5 per cent average annual growth in output over the period 1991-92 to 1996-97), medium prospects (growth between 0.5 and 2.5 per cent) and good prospects (greater than 2.5 per cent).

In the horizontal direction, the panels divide the industries according to State comparative advantage. The left-hand panels list industries in which the State has low comparative advantage. The right-hand panels list industries in which the State has high comparative advantage and the middle column of panels lists industries in which the State has medium comparative advantage.

Comparative advantage is defined with regard to an industry's comparative intensity in the

Table 5: Comparative Advantage and Growth Prospects for Industries in WA - 1990-91 to 1996-97

| | *Low Advantage* | *Medium Advantage* | | *High Advantage* |
|---|---|---|---|---|
| Good growth prospects | • Air transport<br>• Northern beef<br>• Rail transport<br>• Milk cattle<br>• Milk products<br>• Railway rolling-stock<br>• Black coal | • Road transport<br>• Wholesale & retail trade<br>• Services to transport<br>• Residential building<br>• Entertainment & leisure<br>• Personal services<br>• Water transport | • Beer & malt<br>• Financial services<br>• Ownership of dwellings<br>• Restaurants & hotels<br>• Public services | • Non-iron metal ores<br>• Services to mining<br>• Other minerals<br>• Oil, gas & brown coal<br>• Iron ore |
| Medium growth prospects | • Other farming<br>• Printing & publishing<br>• Other food products<br>• Other manufacturing<br>• Other alcoholic drinks<br>• Scientific equipment<br>• Iron & steel<br>• Other chemical products<br>• Tobacco products | • Agricultural machinery<br>• Utilities<br>• Wood products<br>• Glass & glass products<br>• Communication<br>• Soft drinks<br>• Meat products<br>• Metal products<br>• Cement products | • Seafood & sugar prods | • Fishing & hunting<br>• Wheat-sheep zone<br>• Non-ferrous metals<br>• Petrol products<br>• Ships & boats<br>• Non-metal mineral prods |
| Poor growth prospects | • Other machinery<br>• Signs & writing equip.<br>• Plastic products<br>• Household appliances<br>• Electronic equipment<br>• Rubber products<br>• Other electrical goods<br>• Pulp & paper products<br>• Textiles<br>• Aircraft<br>• Clothing<br>• Footwear<br>• Motor vehicles & parts | • Other construction<br>• Pastoral zone<br>• Forestry & logging<br>• High rainfall zone<br>• Leather products | | • Chemical fertilisers<br>• Clay products<br>• Construction machinery |

State economy. An industry is in one of the left-hand panels (low comparative advantage) if its share in gross State product (GSP) is less than 75 per cent of its share in Australia's gross domestic product (GDP). For example, footwear is on the left-hand side of the NSW table because its shares in the GSP of NSW and the GDP of Australia are 0.038 per cent and 0.067 per cent respectively, giving a comparative advantage index for footwear in NSW of 56 per cent (0.038/0.067).

An industry is in one of the right-hand panels (high comparative advantage) if its share in the State's GSP is more than 125 per cent of its share in Australia's GDP. The industries listed in the middle column of panels are those with a GSP share of between 75 and 125 per cent of their GDP share.

## NSW including the ACT (Table 2)

Looking at Table 2 we see three industries in the top right-hand panel. These can be considered strengths of the NSW economy. They are industries in which NSW specializes and which are projected to have good growth prospects. Air transport is included reflecting strong prospects for tourism and Sydney's position as the gateway to Australia for foreign visitors. The inclusion of railway rolling stock reflects the role of the railway industry in facilitating Australia's international trade. Black coal makes the top right-hand panel because Australia's coal exports are projected to have good prospects. However, our model treats NSW and Queensland black coal as a single commodity. This may have lead us to overstate the prospects of the NSW industry

**Table 6: Comparative Advantage and Growth Prospects for Industries in SA - 1990-91 to 1996-97**

| | *Low Advantage* | *Medium Advantage* | | *High Advantage* |
|---|---|---|---|---|
| Good growth prospects | • Air transport<br>• Milk products<br>• Black coal<br>• Iron ore | • Personal services<br>• Ownership of dwellings<br>• Residential building<br>• Beer & malt<br>• Wholesale & retail trade<br>• Restaurants & hotels | • Services to transport<br>• Rail transport<br>• Railway rolling-stock<br>• Other minerals<br>• Water transport<br>• Milk cattle | • Oil, gas and brown coal<br>• Services to mining<br>• Northern beef<br>• Non-iron metal ores |
| Medium growth prospects | • Scientific equipment<br>• Printing & publishing<br>• Non-metal mineral prods<br>• Seafood & sugar prods.<br>• Other chemical products<br>• Tobacco products | • Public services<br>• Petrol products<br>• Glass & glass products<br>• Entertainment & leisure<br>• Wheat-sheep zone<br>• Soft drinks<br>• Communication<br>• Financial services<br>• Road transport | • Other farming<br>• Wood products<br>• Iron & steel<br>• Other food products<br>• Utilities<br>• Non-ferrous metals<br>• Meat products<br>• Metal products | • Other alcoholic drinks<br>• Ships & boats<br>• Fishing & hunting<br>• Household appliances<br>• Other manufacturing<br>• Agricultural machinery |
| Poor growth prospects | • Forestry & logging<br>• Pulp & paper products<br>• Other machinery<br>• Electronic equipment<br>• Clothing<br>• Clay products<br>• Signs & writing equip.<br>• Aircraft | • Pastoral zone<br>• Leather products<br>• Cement products<br>• Footwear<br>• Chemical fertilisers<br>• Other construction<br>• Rubber products<br>• Other electrical goods<br>• Plastic products<br>• Textiles<br>• Construction machinery | | • Vehicles & parts<br>• High rainfall zone |

whose production is mainly for domestic usage.

At the opposite corner of Table 2 are industries with poor growth prospects and relatively low representation in the NSW economy. Most of these are protected manufacturing industries (located largely in Victoria and South Australia). In a perverse sense, these bottom-left industries are also a relative strength of the NSW economy. They are industries whose poor prospects will impinge on NSW more lightly than on other regions of Australia.

The three industries in the bottom right panel of Table 2 are weaknesses of the NSW economy. They are industries with relatively heavy representation in NSW and with poor growth prospects. All these industries will face severe import competition in the 1990s and have, to date, shown little export potential.

The eight industries listed in the top left corner are also weaknesses of the NSW economy. They are industries with good growth prospects but with little representation in NSW. They include dairy-related activities and several mining industries.

The majority of industries (43 out of 70) are in the middle column of Table 2. This is evidence of the point made earlier, that the structure of the NSW economy is similar to the structure of the Australian economy, and explains NSW's middle ranking in Figure 2.

### Victoria (Table 3)

Whereas NSW has only 3 industries in its poor-growth-high-comparative-advantage panel, Victoria has 12. All of these are import-competing manufacturing industries. Their concentration in the Victorian economy explains Victoria's low ranking in Figure 2.

Victoria has eight industries in the top left-hand panel of its table. Like NSW, Victoria

misses out on several mining activities with strong growth prospects.

**"Whereas NSW has only 3 industries in its poor-growth high-comparative-advantage panel, Victoria has 12."**

Table 3 identifies oil, gas and brown coal and dairying as Victorian strengths (top right-hand panel). Only two industries are listed in the bottom left-hand panel, indicating that Victoria is unfortunate enough to have at least an average representation of nearly every industry with poor prospects.

### Queensland (Table 4)

Table 4 shows Queensland to have a very favourable mix of industries, explaining its high growth ranking in Figure 2.

Queensland has a long list of industries in the bottom left corner of Table 4. This means Queensland is largely free of poor-prospect industries. The only major Queensland industry with poor prospects is the pastoral zone (mainly wood). Together with two much smaller industries, chemical fertilizers and signs and writing equipment, the pastoral zone appears in the bottom right-hand corner of Table 4.

Queensland misses out on two of the good-prospect industries (oil, gas and brown coal and ferrous metal ores, see the top left-hand corner of Table 4). However, the negative effect on Queensland's overall prospects of having two top-left industries is outweighed by the positive effect of having five top-right industries. Whereas the industries listed in the top left-hand corner of Table 4 account for 1.6 per cent of Australia's GDP, the industries listed in the top right-hand corner account for 3.3. per cent.

### Western Australia (Table 5)

In common with Queensland, Western Australia has a long-list of bottom-left industries and a very short list of bottom-right industries. This explains Western Australia's high ranking in Figure 2.

Nevertheless the West's industry mix is not quite as favourable as that of Queensland. The West has a comparatively long list of top-left industries and a short list of top-right industries. The industries listed in the top-left corner of Table 5 account of nearly 4 per cent of Australia's GDP whereas those listed in the top-right corner account for only 3 per cent.

### South Australia including the Northern Territory (Table 6)

At first glance, Table 6 does not seem to explain South Australia's low growth ranking. South Australia has a long list of bottom-left industries and some major top-right industries especially oil, gas and brown coal and non-iron metal ores.

**"  the West's industry mix is not quite as favourable as that of Queensland."**

A weakness of the South Australian economy is its heavy commitment to vehicles and parts (bottom-right corner). Other weaknesses are comparatively small commitments to air transport, milk products, black coal and iron ore, all of which have good prospects (top-left corner).

However, the main reason for South Australia's low growth ranking is the poor budgetary situation of the South Australian government. For both South Australia and Victoria we have forecast slower growth in public expenditure than in the other States. Notice that in the South Australian and Victorian tables, public services is a middle-growth activity. In the other tables it is a high-growth activity.

### Tasmania (Table 7)

In Table 7, the left-hand panels contain nearly all of Australia's major export and import competing industries, including air transport, black coal, oil and gas, iron and steel wheat-sheep zone, northern beef, pastoral zone, sugar, footwear, clothing, household appliances, scientific equipment, vehicles and parts, electrical equipment, aircraft, ships and boats, and plastic, leather and rubber products. This illustrates Tasmania's comparative lack of connection with the international economy and explains its middle-ranking in Figure 2.

A weakness of the Tasmanian economy is its heavy commitment to forestry and logging

**Table 7: Comparative Advantage and Growth Prospects for Industries in Tas - 1990-91 to 1996-97**

| | *Low Advantage* | *Medium Advantage* | *High Advantage* |
|---|---|---|---|
| Good growth prospects | • Air transport<br>• Rail transport<br>• Railway rolling-stock<br>• Northern beef<br>• Black coal<br>• Oil, gas and brown coal | • Services to transport<br>• Public services<br>• Entertainment & leisure<br>• Iron ore<br>• Residential building<br>• Personal services<br>• Restaurants & hotels<br>• Wholesale & retail trade<br>• Other minerals | • Water transport<br>• Non-iron metal ores<br>• Services to mining<br>• Milk cattle<br>• Milk products |
| Medium growth prospects | • Metal products<br>• Printing & publishing<br>• Agricultural machinery<br>• Ships & boats<br>• Other machinery<br>• Non-metal mineral prods<br>• Iron & steel<br>• Seafood & sugar prods.<br>• Other manufacturing<br>• Scientific equipment<br>• Household appliances<br>• Construction machinery<br>• Petrol products<br>• Tobacco products<br>• Wheat-sheep zone | • Other alcoholic drinks<br>• Utilities<br>• Beer & malt<br>• Soft drinks<br>• Financial services<br>• Ownership of dwellings<br>• Communication<br>• Road transport<br>• Meat products | • Fishing & hunting<br>• Wood products<br>• Non-ferrous metals<br>• Other food products<br>• Other farming<br>• Glass & glass prods |
| Poor growth prospects | • Other chemical products<br>• Chemical fertilisers<br>• Footwear<br>• Signs & writing equip.<br>• Leather products<br>• Plastic products<br>• Rubber products<br>• Clothing<br>• Vehicles & parts<br>• Other electrical goods<br>• Electronic equipment<br>• Aircraft<br>• Pastoral zone | • Clay products<br>• Other construction<br>• Textiles<br>• Cement products | • Forestry & logging<br>• Pulp & paper prods<br>• High rainfall zone |

The share of this industry in the Tasmanian GSP is eight times the industry's share in Australia's GDP. As can be seen from Table 7, our forestry and logging forecast is for low growth.

A bright spot for Tasmania is its dairying industry. Both milk production and milk products are activities listed in the top-right corner of Table 7.

## Concluding Remarks

Information on industries and regions is required by many organizations including

- financial institutions concerned with lending to businesses and advising on investment decisions;
- multi-industry, multi-regional businesses concerned with the allocation of their resources;
- educational and training authorities concerned with anticipating changes in the industrial, regional and occupational mix of the labour force;
- employer and employee groups concerned with reaching agreements compatible with satisfactory profits and employment opportunities in their industries and regions; and
- governments concerned with the setting of

macro and micro economic policies and with the development of Australia's public infra structure.

By building the MONASH model, we hope to assist all of these organizations by creating a tool for generating detailed, internally consistent views of Australia's future.

In this paper we have given one such view. Consistent with Syntec's forecasts for the world economy, we have projected a subdued, elongated recovery for Australia. We have also assumed continued rapid growth in Australia's exports and imports. On incorporating these macro forecasts into MONASH, together with information from several specialist research bureaux, we found for the 1990s that

- apart from agriculture, export-oriented industries have good prospects;
- trade facilitating activities such as transport and storage have good prospects;
- protected import-competing industries have poor prospects;
- non-residential construction and related activities have poor prospects; and
- Queensland and Western Australia will have the fastest growing State economies and Victoria and South Australia the slowest.

## Notes

1 MONASH is a new model of the Australian economy being constructed at Monash University's Centre of Policy Studies (COPS). It is a major extension of ORANI, see Dixon et al. (1982). Relative to ORANI, the MONASH model includes a much more detailed description of how the economy evolves over time. The development of MONASH is being supported by: Monash University, the Industry Commission, the Australian Research Council, the Bureau of Agricultural and Resource Economics and the treasury departments of NSW and Victoria. Early documentation of the MONASH theory is in Adams et al. (1993). The initial version of the present paper was prepared for Syntec Economic Services.

2 See Syntec Economic Services (1993).

3 Obtained by personal communication.

4 Obtained by personal communication.

5 See Australian Bureau of Agricultural and Resource Economics (1992).

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# The Long Term Viability of Regional Development Organisations in Rural Areas

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## Introduction

Declining terms of trade and the narrow economic base in rural areas have exacerbated the problems facing rural economies in Australia. Such things as population decline, over reliance on a narrow economic base, a focus on production of raw commodities rather than product development and marketing, and the withdrawal of public and private agency services are having a major impact on the long term viability of rural communities.

Failure to address these issues will inevitably lead to the disappearance of many rural communities. The problems outlines are not confined to the Australian situation and the issue is a cause of concern to rural communities in both North America and Europe.

**"There is a common concern in rural communities that public agencies operate under strict departmental parameters which fail to address the needs of rural communities."**

To ameliorate these problems there is a requirement to increase our ability to earn more money from the world market. Increasingly the world market is requiring bilateral trade and joint ventures along the production and distribution channels. With competitive advantages such as political stability, large tracts of productive agricultural land and a recognised clean environment, it is imperative we build on these strengths and promote their adoption.

In Australia, both state and Federal Governments have recognised the seriousness of the rural situation and directed increasing resources to address the problem over recent years. (Garlick, 1993; Anon (a), 1993).

One consequence of these initiatives has resulted in the emergence of Rural Development Organisations (RDOs) in small rural communities around Australia.

## The Working Environment

In an attempt to provide local decision making both Commonwealth and Queensland Governments have placed increasing demands and expectations on local authorities. However, because of adverse seasonal conditions and declining terms of trade in these economies, the available rate base as a proportion of total outlays is declining markedly. In recent evaluations of Western Queensland, rates accounted for only 20 percent of total revenue. Increasing calls on local authorities for services and provision of facilities have been made without the provision of the necessary additional support. Under this scenario, local authorities are finding it difficult to meet the demands on their limited resources while at the same time fully developing a skills base to meet the extended roles. (Greg Hallam - Queensland Department of Housing & Local Government, pers. comm.)

To compound this problem, small communities often do not have direct access to the full range of public agency services and facilities nor do they have access to substantial corporate support. There is also a common concern in rural communities that public agencies operate under strict departmental parameters which fail to address the needs of rural communities. Overseas experience indicates that the needs of these communities are diverse, and many attributes are interconnected. (Gertler & Baker, 1989)

There is an increasing perception that public agency personnel servicing rural areas tend to be overcommitted and under-resourced with the inevitable consequence in service delivery. This can create a climate of uncertainty and confusion which is detrimental to maintaining confidence and vigour in rural areas.

There is an obvious need for a local group which has credibility, to act as an interface between public agency services, the community and potential investors needed to

increase the economic base in rural areas. This service needs to be provided in a recognised single point within a district. RDOs are attempting to fill this role.

### The Role of Rural Development Organisations (RDOs)

Recognition of these problems and the realisation that effective solutions need to be community driven, has led to the emergence of many RDOs. However, there is considerable variability in the strategies and operations of these organisations depending on community perceptions, the skills base and the local economic environment.

Generally these organisations have as a basic premise the need to raise community perceptions and attitude towards economic development and trade. The Central Highlands Promotions and Development Organisation (CHP&DO) is an example. This organisation, based at Emerald in the Central Highlands of Queensland, was developed as an initiative of five local authorities who realised that they could develop a community consciousness and promote their area more effectively if they amalgamated rather than if they all worked alone. The group received $15,000 seed funding from the Department of Business Industry and Regional Development (DBIRD) to establish an office and ongoing funding is provided by the local authorities and corporate membership.

All shires have agriculture as the basis of their future long term economic stability with coal mining providing an immediate economic return. Although covering a geographical area of 82,614 sq kms, the population base is only 32,500 people.

The mission statement of the CHP&DO outlines the role the organisation feels is vital for the Central Highlands.

> "To initiate projects for responsive support to the Central Highlands region's businesses, industries and communities to aid development of a strong and diverse economic base which is conducive to ongoing economic development." (Anon (b) 1993)

Experience with this organisation over the last five years, indicates that rural development organisations have a key role to play in every aspect of community life. The attitudes and structure of a community have a direct bearing on the economic viability and long term sustainability of a rural area. Rural areas can only survive if there is a strong community base encompassing adequate community facilities and community enthusiasm.

An increasing role of RDOs is to act as a catalyst agency to maintain community vigour, initiate and sustain projects, maintain enthusiasm, obtain information, co-ordinate data acquisition and develop networks.

Without RDOs, initiated projects often fail to come to their useful fruition due to the lack of an independent co-ordination role.

### Barriers to Success

From experience with RDOs in Central Queensland, a major problem appears to be perceptions of the role of Rural Development Organisations in public agencies and the dichotomy of opinions regarding the most effective delivery mode relevant to small rural communities.

**"The attitudes and structure of a community have a direct bearing on the economic viability and long term sustainability of a rural area."**

This has specific impact on the method of funding RDO activity. From experience to date, it is suggested that an over emphasis on short term project funding and segregating community and economic development can result in reducing RDO effectiveness and the loss of the professional skill base required for the long term viability of this initiative.

A high component of short term funding results in an over focus on high profile short term projects which do not necessarily address the underlying longer term strategic needs of the community. The constant need for short term 'runs on the board' can result in poor utilisation of scarce resources and an over reliance on being 'seen' to do things as opposed to actually doing them.

Current interest from those involved in local rural development supports overseas experience in that it is inappropriate to

segment community development from economic development in rural areas because of their interdependence. (Robinson & Heinze Silvis, 1993). New industries will be deterred from establishing in rural areas without the necessary community and social infrastructure being in place.

An example of this in Central Queensland, is the location of the Gordonstone Mine workforce in the town of Emerald rather than the neighbouring Capella because of the existing community and social facilities available in Emerald but not in Capella, the closest town to the mine site. This created extra costs for the company but the well being of the workforce was of paramount importance to the long term viability of the operation. The increasing use of 'fly in fly out' labour forces by the mining industry in remote areas bears testimony to the inter relationships between economic and community development. This practice is having a detrimental effect on smaller communities that aspire to develop their economies on the backs of the mining industry.

Experience around the world, particularly in North America and Europe, indicates that economic development is but one step along the path to community self actualisation. (Robinson & Heinze Silvis, 1993; Murray 1993; Morse 1993; Phillips 1993)

There is a common experience that the first step in economic development is conflict resolution within and across communities. This is expressed in the preponderance of parochialism, territorialism and conditional self esteem of many community opinion leaders.

A major limitation in achieving rural economic development is the thin layer of leadership skills available in many of these communities. These skills have been defined as local to global perspective, appreciation of common good, conflict management skills, visioning, able to work with diversity, empathy, effective communication, convincing others to see win/win and effective financial management. (Baker 1993)

Overseas experience suggests that once conflict resolution and leadership issues are addressed, the satisfaction of community development needs is essential to economic development. Their experience also highlights the need for the goal to be **community self actualisation** which will produce sustainable economic development.

The method of achieving success needs to be planned and developed in an integrated manner. Many examples of how this can be achieved exist in North America. Programs at Wisconsin – 'Preparing your Community for Economic Development'; Georgia – 'Community Economic Development Program'; Iowa – 'Multi Community Development: A Rural Community Development Strategy'; and Illinois – 'Strategic Planning for Community and Economic Development'; offer models which may have application in Australian rural communities. Observations with Rural Development Organisations in Central and Western Queensland would strongly support such an approach.

Because public agencies are almost entirely focused on segmented program delivery, a whole of government approach to addressing client needs, can be difficult to achieve in rural areas.

Whilst it is vital to have clear guidelines for accountability of the distribution of public monies, inappropriate funding program guidelines can have the effect of stultifying project outcomes and mitigating much of the work of RDOs. Frustration from the experiences outlines thus far and lack of long term tenure of Economic Development Officers (EDOs) will inevitably lead to a continuing degradation of the skill base required for the successful functioning of RDO's.

While public agencies have recognised the need for regional development, local authorities do not universally share this view. The new Local Government Bill due to be enacted shortly, attempts to devolve to local authorities responsibility for economic development, but the reality of the situation is that most local government authorities have neither the resources, skilled personnel nor the inclination to take on another role. Considerable education of staff and councillors is needed to integrate this role into the recognised work of local authorities.

**Proposed Solutions**

Without a recognition from Federal, State, local and corporate bodies that the effective role for RDOs is facilitating across the

continuum outlined above, only limited sustainable economic development can be achieved in rural areas.

The successful operation of RDOs is heavily dependent upon the development of true partnership arrangements between local government, state and federal public agencies and the local business community. There needs to be greater understanding by public agency decision makers as to the real role of Rural Development Organisations and the development of programs which recognise the specialised needs of rural areas as opposed to metropolitan areas.

**"Particular attention may be required to address the needs of local authority staff and councillors to ensure they are able to provide the necessary support and community leadership."**

Achieving success in this area may involve the development and application of integrated programs along the lines of those in operation in Northern America. Particular attention may be required to address the needs of local authority staff and councillors to ensure they are able to provide the necessary support and community leadership.

Better funding mechanisms need to be put in place to provide sustainable career paths for Economic Development Officers (EDOs) so that the best skills are attracted to the role. This process need not cost any more public agency funding but could be largely achieved through the rearrangement of existing public agency funding commitments.

## Conclusion

The programs already in place indicate Government's recognition of the need for support to achieve economic development in rural areas. Our contention is that there is a requirement to better co-ordinate these programs and to re-evaluate perceptions of the role of the RDO's with a view to building on successful approaches in other countries.

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# “Business Connect” – an Initiative in Regional Development

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## Introduction

The Business Connect initiative has its origins in an inexorable progression over the last two decades from the ‘National Growth Centres’ program of the Whitlam Government through the restructuring of the Australian economy to a more introverted attitude about “Home Grown Development”. Fortunately the Albury-Wodonga economy has emerged reasonably intact from a significant re-orientation of its direction.

In early 1973, Albury-Wodonga was officially designated a growth centre by the Commonwealth, New South Wales and Victorian Governments. The Albury-Wodonga Development Corporation commenced operations in mid-1974, with a target population by the turn of the century of 300,000. After an extensive land purchase program, with a promise of large scale public service agencies being transferred or created, the AWDC faced a change of government. This slowed the project down, and in late 1977, it was decided to change the orientation towards private sector development and to halve the target population to 150,000 or so by 2000 A.D. Staff was also reduced by one-third.

After a couple more reviews, things became serious in 1989 and remained so for a couple of years as the AWDC was restructured - both staff and the Board. A CEO was appointed, and the emphasis was changed:-

- from Manufacturing towards service industries;
- from external promotion towards “Home Grown Development”/import replacement;
- from unco-ordinated economic development to a single, representative agency;
- from 150,000 target to 106,700 by the end of the century.

Throughout this, Albury-Wodonga continued to grow steadily at an average rate (for population), of about 2.5% p.a.

What really decided the new directions was economics, rather than political fiddling; Albury-Wodonga had been immune to economic vicissitudes through the 1970s and 1980s, but suffered significant job losses in 1990 and 1991. In 1992, jobs grew slightly, but for the first time, the total number of firms declined slightly.

In the outside world, business investment had fallen sharply, as the recession deepened. Fortunately for Albury-Wodonga, a few very large private and public projects had begun pushing investment to record levels. 1993-94 will produce an even better result.

**“What really decided the new directions was economics, rather than political fiddling ...”**

A group of private sector executives was formed, and in time joined with the AWDC and local government to form Development Albury-Wodonga 2000 (DAW 2000). The private sector group (Enterprise Albury-Wodonga) still has a major role, and is currently the appropriate vehicle for OLMA funding. (see the organisational chart: Figure 1).

In 1992, the combination of economic conditions (both nationally and in Albury-Wodonga), with official policy, and with availability of OLMA funding led to an innovative research programme - an input-output study - to accurately identify the structure and linkages of the regional economy; and a business opportunities programme - to identify import replacement and new industry activities. In other words, we were combining the macro and micro aspects of our local economy in the one project.

It is my intention to describe both projects, but to concentrate especially on the business opportunities research - known as “Business Connect”. There are many steps which had to be taken in an enthusiastic way - otherwise it would have failed. The project clearly needs more, consistent work with an innovative marketing person to identify opportunities,

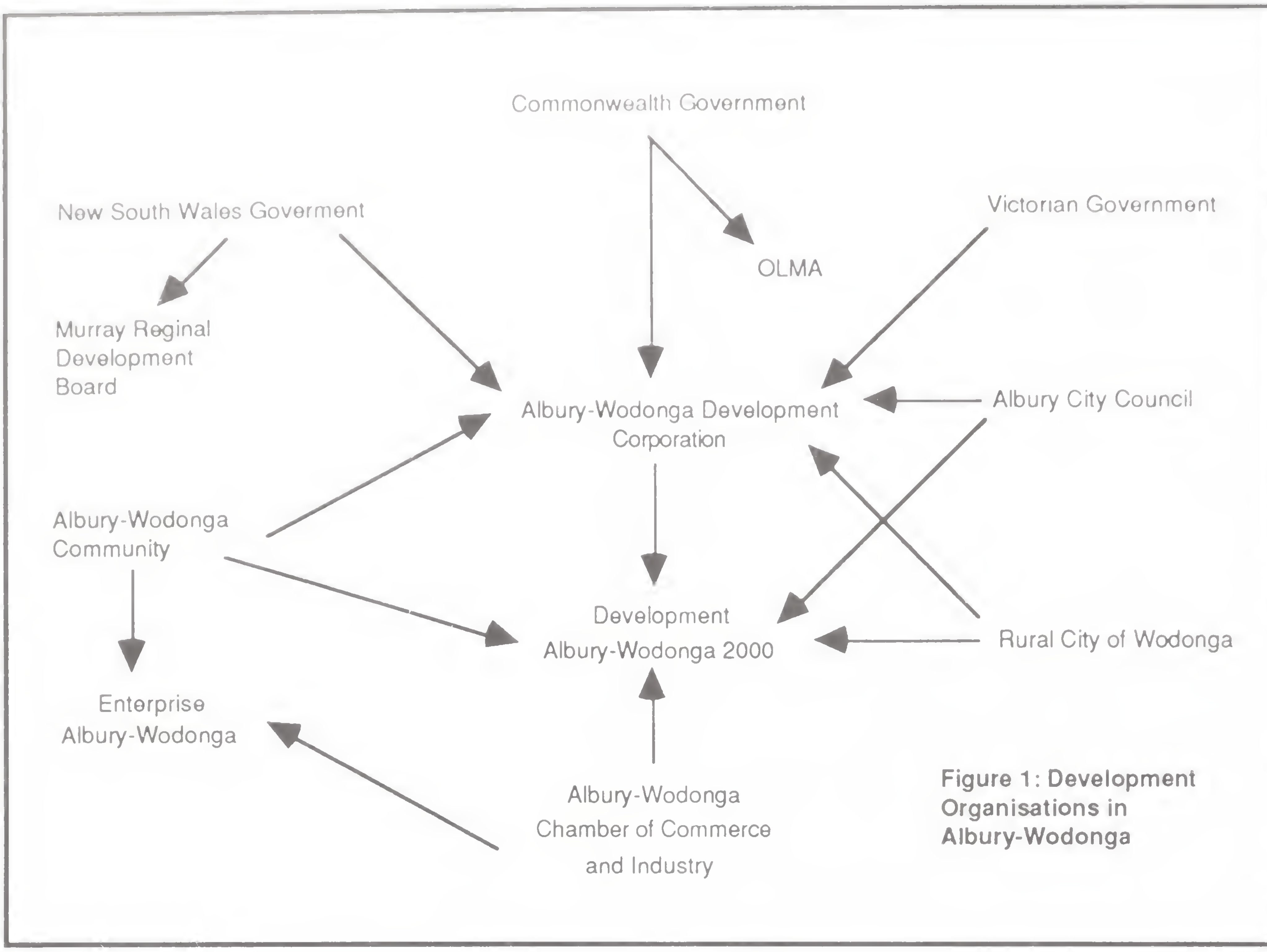


**Figure 1: Development Organisations in Albury-Wodonga**

maximise their potential, and relentlessly keep

Other Relevant Organisations:-

- Tourism Albury-Wodonga
- Albury-Wodonga Business Enterprise Centre Inc
- Albury-Wodonga Regional Organisation Of Councils
- Australian Chamber Of Manufacturers

This paper covers the steps taken from early 1992 to date. The lessons learnt may be useful for others seeking to develop their regions. There are numerous steps to take, and pitfalls with every move.

The entire process requires the unstinting co-operation of all relevant organisations, and enormous stamina. Albury-Wodonga still has a long way to go after a year or more, but hopes to make the broker role a permanent one.

## 1 Formation and Operation of Enterprise Albury-Wodonga

*First Meeting - 28 April 1992*

Some 20 private business executives were approached about and agreed to join, the Enterprise Marketing Group – an organisation agreed to by the symposium held in February 1992 as a means of assisting Albury-Wodonga's recovery. The first meeting was held on 28 April 1992.

Chairman David Bent welcomed those in attendance and explained the purpose of the meeting. The Enterprise Marketing Group (EMG), had its origin in the workshop sessions of the February Business & Professional Symposium. In discussions with members of the Strategy & Business Development Division at the AWDC the following characteristics were deemed to be important in the shape of the Group:

a. The mission of EMG is to protect and enhance the well-being of the existing three thousand five hundred business stakeholders;

b. It should be private enterprise propelled;

c. It should feature self-help for and from local enterprise;

d. It should have four working groups:
   i. clusters
   ii. marketing
   iii. new business
   iv. secretariat;

e. It is to rely on AWDC for financial and some administrative support. (A budget of $60,000 was allotted);

f. The operation of the group is to be reviewed in three months.

The mission was considered appropriate after the word "protect" had been deleted in favour of "support". The acceptable mission now reads:-

> **"to support and enhance the well-being of the existing three thousand five hundred business stakeholders".**

Some additional topics which were suggested for EMG consideration were:

a. the need for mediators between small business and banks;

b. the need to identify large businesses experiencing difficulties, and the necessity of offering assistance. The impact on the community of the failure of a large business can be severe;

c. the inadvisability of encouraging a new business to establish when it will cause a decline in existing businesses;

d. the need in marketing Albury-Wodonga to identify, and concentrate on the region's core business;

e. the advisability of entering the debate on the future of AWDC. In particular, Councils should be made aware of the cost of establishing an organisation, or perhaps two organisations, to do what the AWDC already does at no direct cost to the Albury and Wodonga ratepayers;

f. the need to foster the "global" view of the AWDC and some others, rather than the parochial "one state" view.

*Resolution*

Following very full discussion it was resolved:

a. that the EMG was needed and should proceed along the lines discussed;

b. that David Bent continue as Chairman of the Group at least until the review meeting scheduled for 28 July; and

c. that each working group arrange to meet at least twice in the three months between now and 28 July.

*Second Meeting - 28 July 1992*

At the crucial meeting on 28 July 1992, it was ***agreed*** to:-

- continue as a group;

- form a committee to manage local funding made available by DEET, as invited to do so by the local co-ordinator of the Office of Labour Market Adjustment (OLMA). DEET has already paid $25,000 to the Albury-Wodonga Chamber of Commerce & Industry to finance the establishment of the Albury-Wodonga OLMA Committee (EMG), and indicated that a further $200,000 was available for appropriate projects in 1992/93. The Committee's first action was to prepare project proposals for the Minister's approval;

- change the group's title to Enterprise Albury-Wodonga and to promote the group's role locally;

- Enterprise Albury-Wodonga also sends out a newsletter to all identified firms in the region, in conjunction with the AWDC. (Samples are available).

## 2 Industry Profile Study

*Background*

The formation of Enterprise Albury-Wodonga, (especially as it was an appropriate vehicle for OLMA funding); the availability of OLMA funding in the region; and the identified needs for structural and market research in the region; all happily coincided. Enterprise Albury-Wodonga had by this stage conducted a sample survey of regional purchasing

| Table 1: Business Connect Interviews | | |
|---|---|---|
| Round 1 | Total | Successful ("Active Participation") |
| Personal Interviews | 330 | 267 |
| Telephone Interviews | 570 | |
| | 900 | |
| Round 2 | | |
| Telephone Interviews (as above) | 570 | 317 |
| Firms wishing to be interviewed | 66 | 66 |
| OLMA Committee requested interviews | 31 | 25 |
| TOTAL | | 675 |

patterns. It confirmed the need to seek a higher share for local firms.

Later in 1992, an OLMA subcommittee of Enterprise Albury-Wodonga, prepared an advertisement seeking submissions from consultants. Ultimately a consortium of KPMG Peat Marwick (which has a large Albury-Wodonga presence) and Dr. Trevor Mules of Adelaide University, was appointed. Its report was presented in mid-1993. Details are discussed in the following pages.

In seeking information on both the input-output and Business Connect aspects, all regional identified private businesses and public agencies were contacted eventually at least once about each aspect.

***Interview Structure and Usage of Data***

***a. Region***

Albury-Wodonga Statistical District - Albury City, Rural City of Wodonga, Hume Shire, Beechworth Shire, Chiltern Shire. Yackandandah Shire and Part A of Tallangatta Shire.

There are some 90,000 residents, and at least 3,500 private businesses and private agencies.

***b. Input-Output Study***

- 3,500 questionnaires mailed out -
- 350 returned and satisfactory (10%)
- 3,150 not returned
- Secondary data were, of course, used - ABS and the AWDC's local knowledge, employment survey and investment research
- Twenty six sectors were used, for 1990-91 year
- High degree of superior data
- Questionnaires destroyed at the end of the project.

***c. Business Connect Research: Round 2***

It was felt that all businesses/agencies should have a chance to identify opportunities; so all were recontacted except for the 330 firms personally interviewed. Of these 3,170 firms, 345 identified business opportunities - ie. 675 overall or a 19% response rate (see Table 1).

***d. Business Opportunities***

Attendees at the symposium held on 30 June/1 July, 1993, were able to peruse 663 opportunities listed from the responses to the research – 87 for manufacturing, 448 in wholesaling and retailing, and a further 128 in business and professional services and government.

These opportunities were found in three prospectuses available (for a fee of $10 each) at the Business Expo.

| 1991- EXAMPLES OF RANKED VALUE-ADDED MULTIPLIERS - ASIC | | | | |
|---|---|---|---|---|
| ALBURY-WODONGA | | | AUSTRALIA | |
| RANKING | ASIC GROUP | MULTIPLIER | RANKING | MULTIPLIER |
| 1. | Education, Libraries | 1.365 | 2 | 2.073 |
| 2. | Health | 1.336 | 3 | 1.863 |
| 3. | Welfare, etc | 1.161 | 4 | 1.854 |
| 4. | Personal Services | 1.114 | 6 | 1.679 |
| 5. | Road Transport | 1.035 | 13 | 1.505 |
| 6. | Wholesaling/Retailing | 1.009 | 10 | 1.575 |
| 7. | Finance & Investment | 0.972 | 8 | 1.625 |
| 8. | Communication | 0.969 | 15 | 1.502 |
| 9. | Insurance | 0.957 | 1 | 2.234 |
| 10. | Property & Business Services | 0.927 | 1 | 1.549 |

These opportunities were available for attendees to peruse and register with the business broker who negotiated between would-be buyers and sellers over the next three months. A number of developments have occurred, as discussed later.

Generally speaking, the research has attracted great interest and has been used as an example by OLMA around the nation.

*Findings of Input-Output Study*

Those on the OLMA Committee were surprised at the lack of truly regional data in the final input-output tables. Apparently this is common in regional I-O analyses. Whilst there were several areas of disagreement with the consultants, we gained a useful product for testing future large projects. The coverage was 10% – 350 responses out of 3,500 questionnaires.

The findings of real value were:-

- the difference in output per worker is explained by significantly higher productivity in Albury-Wodonga than in Australia as a whole in Food Manufacturing, Fabricated Metal Products, and Machinery & Equipment.

  Over 18 per cent of the workforce is

employed in manufacturing, compared with an Australian average of 15 per cent.

- Clearly the manufacturing sectors were important. However, their links with the rest of the Albury-Wodonga economy appeared to be more via their employment of labour than their use of local supplies. Many manufacturing firms were "enclave" in the sense that they react marginally with the local economy.

- All value-added multipliers for manufacturing are less than one whereas for the nation as a whole all manufacturing value-added multipliers are greater than one. This is indicative of a high level of imports into manufacturing in the Albury-Wodonga case. An import replacement program for manufacturing, if financially feasible, would certainly boost the regional multipliers for manufacturing.

**"... register with the business broker who negotiated between would-be buyers and sellers over the next three months."**

- The value added multipliers for the service sectors of the economy are seen to be typically higher than for manufacturing. This is a reflection of higher labour content in the service sectors which means more sourcing of inputs locally, plus the associated induced household consumption will be felt locally. The particular sectors of note are Health Services, Education/ Libraries, and Personal Services.

- Many sectors have value added multipliers below one. This is a common feature of a regional economy in which a high proportion of usage is imported into the region.

- Comment should be made about the low multipliers for Food and Beverage manufacturing. There are some large employers in this sector in Albury-Wodonga, but because a high proportion of their inputs are sourced outside of the study zone, the leakage of economic activity to outside of the study zone is quite high. (However the Albury-Wodonga food firms frequently buy raw materials from the surrounding region beyond the Albury-Wodonga Statistical District - the defined region for the study. The multipliers would be much high if (say) a 100 km radius was used).

- An interesting feature in the comparison of value-added with employment multipliers concerns the performance of Road Transport. This sector is significant to the region because of location and has one of the higher value added multipliers. Yet its employment multiplier is not that great. This is an example of a sector which generates a good deal of regional income, but much of the income is non-wage income because of the capital intensity of the means of operation.

- The low ranking of Public Administration/Defence for the region compared with the nation.

- Despite Defence accounting for over 8% over the region's employment, (compared with less than 1% for the nation), the regional Defence sector had a low level of value added per worker (20.8 compared with the regional average of 39.9). This is due to the local Defence personnel having a lower rate of pay than the regional and national average, including as it does 600 Army apprentices.

- Also, the survey showed that the local defence base purchased very little from the local economy and this also contributes to its low regional multiplier of the combined sector. (In late 1993, an Albury-Wodonga firm gained a large pilot contract to supply hundreds of lines to the Army on a JIT basis. This would also have a significant effect on the relevant multiplier).

- The low regional ranking of Electricity, Gas and Water compared with the national average. The explanation is the absence of electricity generation in the region.

- The Communication sector has a higher ranking in the region than nationally. The sector has much the same output and value added per employee as its national counterpart, which implies that locally it has strong links with the economy via inputs. The remainder were between 0.219 and 0.924 for Albury-Wodonga; and between 1.211 and 1.731 for Australia.

By and large rankings were reasonably similar.

although multipliers were far higher for Australia. In both cases, service industries, with their high labour content, were ranked highest.

*Findings of "Business Connect" Research*

*Aims of Project*

The aim of the business strategy interviews was to identify local business linkages and ascertain the extent for local organisations to:

- **import replace** products and services currently acquired from outside the area with equivalent products or services available from within the area; and

- identify **opportunities for new businesses** to create a new product or service where no local equivalent exists.

*Interview Questions*

The aim of the interviews was to extract relevant data on potential linkages of businesses **within** the region. The questions asked of all interviews were:-

(1) How long have you been operating in the Albury-Wodonga Region?

(2) What would you say are the advantages of operating in the Albury-Wodonga Region?

(3) What would you say are the disadvantages of operating in the Albury-Wodonga Region?

(4) Does your organisation or business prefer to use local suppliers to source its inputs?

(5) If goods and services you currently buy from outside the Albury-Wodonga Region were available locally, would you consider purchasing from the local supplier?

(6) What are the reasons why you would not be prepared to source your supplies locally?

(7) Does your organisation or business have a business plan?

(8) Do you see Albury-Wodonga as being your organisation or businesses long term future location?

(9) What do you expect will happen to the level of annual turnover generated from your Albury-Wodonga operations over the next five years?

(10) Do you see any new opportunities for your organisation or business that could be realised out of your Albury-Wodonga operations?

(11) How do you plan to realise the(se) opportunity(ies)?

(12) Are there any constraints to achieving the(se) opportunity(ies)? Please specify the(se) constraint(s) if any exist.

(13) Given the(se) constraint(s), over what time horizon would you plan to realise the opportunity(ies)?

(14) Do you see any opportunities for other firms within the region in terms of:

i supplying your organisation or business with goods and services?
ii in joint venturing between your organisation or business and other local organisations to produce a new product/service?
iii other?

(15) Are the tertiary institutions of the region meeting your employee needs?

Data from the approximate nine hundred interviews were collated into a prospectus of opportunities. This was made available in five separate business or industry categories as follows:

- Manufacturing
- Wholesale/Retail
- Business services
- Professional services; and
- Government agencies or bodies.

Whilst the "Business Connect" opportunities were available in a public prospectus document, **the actual business or organisation involved was not disclosed. Adherence to total confidentiality** to preserve the integrity of information provided was deemed of the utmost importance.

*Business Broker and Independent Committee.*

The connection of opportunities between businesses was undertaken in a prescribed format by the facilitation of a business broker. The function and activities of the business broker were monitored by an independent committee, apart from but approved by, the OLMA committee.

It was felt beneficial that this independent committee did not contain any local business persons, would be governed by strict confidentiality restrictions and would not be aligned to the OLMA committee, Enterprise Albury-Wodonga or any other government or private sector authority. The OLMA Committee will appoint shortly a business broker for 1994, using the (smaller) OLMA grant for 1993-94. It is hoped that this position will become permanent in later years.

**"The connection of opportunities between businesses was undertaken in a prescribed format by the facilitation of a business broker."**

*Key Strategic Findings*

During the course of the business development surveys, a number of key strategic findings were consistently forwarded to the interviewers. These issues are detailed below, although some comments made in ignorance discarded.

- National organisations

It was apparent that there are number of national business units operating with a local identity in the region. It was clear that a number of these business units acquire a large part of their procurement through the national distribution network or via central stores. (Interestingly, one major manufacturer - effectively a plant only - buys for its national operations in Albury-Wodonga).

- Government Buying

It was felt that many government bodies had no directive or opportunity to buy locally. (However since then a cluster has been formed to supply the local defence establishment as a national pilot project).

- Local competitiveness and service

Comments from interviewees suggested there existed a perceived trading disadvantage amongst local traders, which resulted in them being price uncompetitive with capital city competitors.

In addition, the level of personal service provided by local businesses was not sufficient to counter any price differential. Many respondents said the price variance may have been overcome by superior service and back up support, however, this was not the case.

- Business management

The management of businesses within the Albury-Wodonga Region has a largely historical perspective - activities are undertaken on the basis of what has happened in the past.

In addition, the increased needs for total quality management and value adding services suggest that if local organisations are to deal with more businesses in and outside of the region, they will require improved management. (The efforts of local training institutions, the Australian Chamber of Manufacturers and the Australian Institute of Management, are helping greatly in this regard).

**"... the level of personal service provided by local businesses was not sufficient to counter any price differential."**

- Manufacturing and Incentives

Many respondents suggested the necessity for an increased manufacturing industry base locally.

A common thrust was that the region needed a consolidated package of incentives and a co-ordinated approach from local groups to the attraction of new industries.

- Existing business and assistance

Interviewees highlighted a requirement for not just decentralisation based incentives, but also assistance to established business entities within the region.

A suggestion raised was for groups of professionals with appropriate expertise, for example, banking, legal, marketing, financial and accounting skills, be established to assist and develop local businesses at minimal cost. (This is already done by the Local Business Enterprise Centre).

- Business Register

A number of new business interviewed expressed the concern, that other than the yellow pages, there was no local comprehensive listing or register of local business facilities and services available. (The AWDC produces such a register annually - but concentrates on manufacturers).

- Product development

A research and development group could be established to aid in the development, product design and patent, costing, marketing and distribution of the product at minimal cost.

- Government Structure

There existed a considerable groundswell of criticism to the degree of government policy and procedural constraints which were considered restrictive to business performance, added to costs and overheads and acted as a deterrent to new business and economic development.

- Education institutions

Tertiary training was criticised by some for the absence of practical "experience based" or "hands on" tuition.

- Tourism

Interviewees felt that tourism needed to be more heavily developed and promoted. A consolidated, concentrated effort was suggested to allow the full potential of the area, not just Albury-Wodonga, to be utilised.

Essentially, the region lacks identity and it was suggested by some that a "Tourist Levy" be charged on local businesses and organisations in order to fund a concentrated and effective promotional effort.

- Transport and Communication Costs

Transport and Communications costs were seen by respondents as being high and were deterrents to businesses relocating here. (This has been a long-term problem. It has been difficult for smaller firms in particular. Whilst petroleum products' price differentials work heavily against regional Australia, telecommunications are becoming much more competitive).

- Buying Groups

It was felt that a number of industries could become more price competitive and offer a wider range of products if they participated in a local buying group arrangement. (A number of clusters do exist and several have been formed recently to quote for significant contracts).

***Responses to Business Connect Interviews***

- length of time operating in the region.

Some 75% of the large majority of businesses interviewed, have been **operating for over five years,** with the greatest individual percentage group trading in excess of twenty years.

This would reflect the apparent successful nature of traders and highlights the stable composition of the local economic and business community.

- Advantages and disadvantages of operating in the region

In general terms, businesses and organisations did not see any significant advantages from operating in the Albury-Wodonga Region.

Whilst respondents highlighted **location** as the main advantage, it is ironic that it was also seen as a disadvantage.

The central positioning between the two largest capital cities does lend itself to trade

opportunities, growth and relatively easy access to metropolitan goods and services.

Interestingly, the percentage analysis does not elucidate the number of interviewees who have established their business locally due to family ties, or simply because this was the area in which they were born and/or educated.

Other key advantages identified included **lifestyle and growth prospects**. It would appear that these advantages act to keep the current business community based in Albury-Wodonga, rather than significantly attracting new businesses and opportunities.

Not surprisingly, as a result of Albury-Wodonga's location between the two major city centres, f**reight and transport** services are required on a regular and substantial basis. This cost and inconvenience is identified as a major disadvantage.

In addition, Albury-Wodonga's positioning on the border of two states creates substantial **border anomalies** including legal, political and trading difficulties and thus restricts the enhanced performance of business and the local economy in general.

Significantly, approximately 40% of interviewees saw **no disadvantage or could not identify** any disadvantages from operating within the Albury-Wodonga Region.

- Preference for using local suppliers

Some 89% agreed in principle, but hedged about local purchases due to price and availability factors.

Thus the reality is that a minority of purchases are made within Albury-Wodonga and surrounding areas. In fact 17% of firms would not buy locally even if products were available - due to beliefs that:-

a. local businesses are too expensive;
b. they do not provide the same quality and availability of products, and support;
c. many are part of groups which buy nationally.

- Business Plan

Two-thirds advised that they had a business plan, but probing indicated that this did not go as far as a formal, documented plan in most cases.

- Albury-Wodonga as long term location

Nineteen out of 20 saw the region as home indefinitely.

- Future turnover levels

Nearly three-quarters saw growth over the next five years - due mainly to overall economic growth, rather than increasing market share, diversifying or selling to a wider region. More than half felt they could expand through new opportunities in the region - mainly through plant expansion, or via introduction of new products. About half saw some constraints or difficulties in achieving those opportunities. The major long term difficulty was lack of capital (30%); whilst restrictions of franchises/policy would deter (12%).

Lack of planning showed in the inability of most firms to identify when they could realise opportunities.

- Opportunities for other firms within the region in terms of supplying your organisation or business with goods and services?

Interviews found it difficult to highlight possible opportunities for other firms within the region to supply them with goods and services.

Overall, nearly 60% of businesses could not identify a business connection opportunity with their business. The reasons for a lack of connection opportunities are identified as follows:

- absence of awareness of availability of goods and services within the region;
- existing committed local supporter of a buy local policy and therefore no further opportunity exists;
- consideration not given to local suppliers when purchasing goods and services where a price differential exists in favour of external sources; and

- external restrictions exists such as government, multi-national companies, franchises and buying group requirements.

- Joint ventures are acceptable to a third of respondents, although most had no clear idea of what and where - again a lack of forward planning. Likewise three-quarters of them saw no opportunities for other firms or just did not know of any.

- Training - more than 70% of effective replies felt that tertiary institutions were meeting their training needs. The main problem was that training was not practical enough.

**"... nearly 60% of businesses could not identify a business connection opportunity with their business."**

The following key opportunities were identified as occurring regularly:–

* Specialised equipment - Sales and Service;
* Warehousing and aggregation facilities;
* Quantity wholesaling of printing and computer paper;
* Quantity wholesaling of printing and stationery products;
* Supply of packaging, wrapping and cardboard materials;
* Wholesale supply of Liquor;
* Supply of building and hardware materials;
* Quality supply of linen and laundry services; and
* Recycling of waste.

Overall, it seems that the region has its share of apathy or complacency and not much initiative. There is a pre-occupation with very localised markets, often with low value-added products. It is hoped that increased networking, clusters and import replacement, and general local support, will reduce these constraints.

*The Business Broker*

KPMG Peat Marwick were engaged by the OLMA Committee to provide confidential business broker services for the three months of July, August and September 1993; as a logical extension of their knowledge from conducting the full-scale survey. In effect KPMG have continued to process further registrations until the permanent broker is appointed. In addition the Enterprise Albury-Wodonga/AWDC newsletters are listing unfulfilled opportunities.

Initially 663 opportunities were identified from the study and were shown in the prospectuses which were sold at the symposium on 30 June/1 July, 1993. Arising from these listings were registrations made by interested sellers of goods and services for connection, who sent the registrations. To KPMG Peat Marwick for identification and forwarding to the other party, acknowledged only by a reference number.

The aim was to have a turnaround of registrations of one to two days, enabling an immediate response to be made. For expediency, the completed registrations were sent to buyers asking that they follow up the seller nominated on the registration form if a connection was desired. Alternatively, they could further utilise the service of the broker to obtain any information required about the potential seller.

In total 1,360 registrations were received from one hundred and seventy local organisations, generating a very positive response to the original concept of import replacement to boost our local economy.

In addition, it provided a subconscious awareness of local businesses to do more business locally, by virtue of the receipt of registration forms for organisations wanting to do business with them.

Registrations received from outside the local area were politely returned and not processed. The majority of time in the three months' project was taken up in the following tasks:

* processing prospectus registrations received;
* personally liaising with sellers on the business connect project and the format of how the business broker role worked between the connection of buyer and seller; and
* conferring and providing interpretation with buyers on what they should do once they had received the completed registration from KPMG Peat Marwick.

Towards the end of the third month, follow up began with individual buyers to ascertain the success of connections made. Time constraints prior to the completion of the agreement did not enable an exhaustive follow up and this task will now fall to the new business broker.

The overall response has been one of enthusiasm from local businesses with a large number of enquiries regarding the ongoing role of the project and the possibility of maintaining an opportunities register to assist existing businesses, new businesses starting up or businesses relocating to our area.

The process is laborious and successful negotiations usually are for smallish amounts. However, in aggregate, they do become significant. There is little doubt that our original approach of keeping the potential buyer's anonymity is crucial. Confidentiality has to be observed.

Perhaps, in the future, when OLMA funding is discontinued, there may be a fee charged - possibly on a self-supporting basis. The whole process must be ethical.

**Summary**

1. Changing circumstances have led to a revision of the main thrust of Albury-Wodonga's development in recent years - from an autocratic development authority plus a myriad of parochial development agencies with minimal private sector involvement, all looking to the outside world to attract investment; to a co-operative venture (Development Albury-Wodonga 2000), supported by the major development groups, focussing principally on building on existing activity - "Home Grown Development".

2. As part of this process, there was a need to identify the economic structure of the Albury-Wodonga Region and to seek out marketing opportunities by asking businesses and agencies in the region to review their purchasing practices and even their entire structures and ways of doing business.

3. Ten per cent (350 firms and agencies) provided suitable data for the input-output study, and 19% (675 respondents) for the Business Connect project. In both bases these results gave us enough perspective for future promotion. Funding was from OLMA.

4. The input-output study, apart from providing a programme for assessing the impact of future major projects, indicated that:-

   a. Community Services provided the highest multipliers;
   b. the Manufacturing sector, although large, did not use local suppliers to any extent; thereby identifying the need to maximise import replacement and local vertical integration;
   c. the defence sector provided little value-added output. However it is introducing a pilot scheme in Albury-Wodonga aimed at maximising local supply.
   d. per capital GDP was similar to national figures in 1990-91.

5. Business Connect involved a substantial survey of regional firms and agencies, the identification of businesses opportunities locally, and their exploration. A number of steps were necessary to ensure maximum involvement - through publicity, seminars, a Business Expo and the employment of a business broker to bring potential buyers and sellers together.

6. Initially 663 opportunities were identified. They are being worked through. Needless to say most will come to fruition but some connections are being achieved. The process has generated more interest by both buyers and sellers.

7. The Business Connect process also identified some longer-term issues -

   a. particularly the constraints on national businesses/agencies to buy locally;
   b. the need for some local firms to be more competitive in price, delivery, support and quality;
   c. the chronic problem of transport and communication costs;
   d. the paucity of proper business planning.

8. As the process of networking/"Home Grown Development" continues, and as longer-term strategies emerge, we believe that an already-strong, growing, diversified economy will become more cohesive and community-oriented - a key criterion for future development and prosperity.•

## Annual Conference

**Note in your diaries that our annual conference will be held at the University of Western Australia, Perth, from the 10th to 14 the December 1994. We will have the usual sessions dedicated to regional development practice and theoretical analysis. The issues we discuss are perennially important so, when the call for papers is issued shortly, please offer a contribution.**

**The conference organiser is Ian Cowie, W. A. Department of Local Government, 32 St George's Terrace, Perth, 6000. Please direct any suggestions about conference events and the organisation of paper sessions to him directly. Ian's work phone number is (09) 222 0400; and the fax number is (09) 221 2715. Offers of assistance would also be appreciated.**

# The Role of Local Government in Economic Development - The New Zealand Experience

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[Editor's Note: Sean Bevin is one of two New Zealand members of the ANZRSA Council]

### Introduction

Over the past ten years, an increasing number of New Zealand local authorities have attempted local economic development and employment creation. It is interesting to note that this occurred at the same time as successive national governments radically transformed New Zealand's economy and whole way of life. This resulted from the restructuring and corporatisation of government departments, the privatisation of some public services, industry deregulation, adoption of the user pays system for public services, import deregulation, reduced government social expenditure, and the passing of the Employment Contracts Act. In addition, the Reserve Bank Act aims to keep inflation below 2% annual growth through the application of strict monetary policy. Unquestionably, these policies have had positive effects on New Zealand's economy and the quality of service delivery. This is clear from recent trends in a number of macro-economic indicators.

However, these policies have been accompanied simultaneously by significant adverse impacts such as higher unemployment, withdrawal of government services, industry closures, income loss and higher charges and costs. As expected, these impacts are most apparent at the local community level. For these reasons, New Zealand's local authorities have responded to increasing calls to ameliorate these impacts on their constituencies. Ultimately, most of the adverse consequences of restructuring can be traced back to socio-economic causes and this is why local authorities in the country are more actively involved than ever before in attempting to promote the development of their local economies.

Against this background, this article describes

the efforts of the past five years of a progressive provincial New Zealand local authority to counter the adverse local economic and social impacts of economic change and restructuring at the national level. Napier City is located on the central North Island East Coast of New Zealand and has a population of 52,000. It is located in the Hawkes Bay region, one of the foremost pastoral (sheep and beef), horticultural (particularly apples), wine, forestry, fast processing and tourism areas of the country. Despite the obvious breadth of its economic base, the region went into decline in the mid to late 1980s, along with many other parts of the country, and is only now beginning to recover from this.

### Local Authority Roles in Economic Development

Councils' increasing involvement in local economic development also stems from the major restructuring of New Zealand's local government system in 1989. There are perhaps six key factors to note here:

- The role of local authorities in "governing" local communities. By implication, they have a legitimate interest in all matters pertaining to the development of their districts. These now extend beyond traditional infrastructure concerns (roading, water supply, sewerage and other property services) to encompass social and community issues.

**"'Political advocacy' is an integral part of the economic development process."**

- Coupled with this, local authorities have to be more responsive to the wide range of community issues arising within their districts. In this respect, the ratepayer opinion surveys commissioned by the Napier City Council over the past two years have both identified unemployment as a major local community concern.

- "Political advocacy" is an integral part of the economic development process. In effect, councils are responsible for ensuring that appropriate national and local policies and resources are put in place to address local economic development and employment difficulties.

- Even in the absence of a specific economic development service, local authorities, through their various infrastructure, planning and regulation, information, purchasing and rating policies, still have a significant influence on the development of local economies. The operation by local authorities of a specific economic development policy can therefore be considered as a natural extension of this situation.

- Evidence suggests that local authorities are indeed able to play an effective role in promoting local economic development. The means range from *indirect* advocacy, information and business facilitation, to more *direct* enterprise assistance and trade/investment promotion policies.

- More recently, central government has encouraged partnerships between itself and local authorities or communities to address national and local economic and employment concerns. This trend reflects, amongst other things, the differing economic circumstances of individual regions, and the ability of local communities to put in place policies that are more responsive to them.

All these factors point to the inescapable fact that, today, local authorities have an holistic role to play in terms of governing their local communities. The old, but occasionally still trotted out, adage that they should 'stick to their knitting' is highly inappropriate in our modern and dynamic world. Increasingly, New

**"... overlooks the important and beneficial roles that local authorities can play in facilitating local development."**

Zealand's local authorities are being called upon to play a leading advocacy role for their communities in a wide range of issues, most of which invariably have an economic or employment orientation. The other important point to note is that the very role of local authorities implies most strongly that they are involved in economic development whether they like it or not. Most of their infrastructure

activities have significant effects on the local economic structure of their areas. At the very least, local authorities must ensure that these activities are supportive of local economic development.

This role is often misinterpreted and misrepresented by 'private enterprisers', who see 'government' as a distorting factor in the market place. This has particularly been the case in New Zealand over the past decade, as market ideals have been pursued, in varying degrees, by the government. However, this view is based, as is often the case, on a lack of knowledge of the facts of the situation. It overlooks the important and beneficial roles that local authorities can play in facilitating local development. It also overlooks the significant progress that local government in New Zealand has made recently to implement the spirit of the local government reforms of 1989.

**The Napier Approach**

Since 1989, the Napier City Council had adopted a pro-active policy to promote and facilitate economic development and employment creation in the City. Council's underlying objective has been to:

- Retain the existing employment and industry base in the City.
- Encourage an expansion of output from existing businesses in the City.
- Promote the establishment of new business.
- Increase the overall level of employment in Napier through business expansion and direct employment creation initiatives.

Of course, Napier City Council's economic development policies are but one of a range of factors that will influence achievement of these objectives. Other relevant factors include international and national economic trends, central government economic policies and individual business decisions. It is obviously important that, as far as possible, all these factors positively impact on the local economy and the Council has key advocacy and facilitation responsibilities in this respect. It is also important that the Council's own economic policies are the most appropriate for encouraging economic development and employment in Napier.

The Council's broad economic development **strategies** have been:

- The provision of economic information and monitoring, for Council policy formulation and economic advocacy, community economic development initiatives, business development and investment promotion.
- Business development facilitation – for new business; the relocation, restructuring and refocussing of existing businesses; and company rebuilding.
- Small Business start-up facilitation.

**"All facets of the Organisation's operation have a role to play in facilitating the local economic development process."**

- Development of new trade/export linkages.
- Business import substitution surveys.
- Promoting overseas and national business migration, investment, and product sourcing to Napier/Hawke's Bay.
- Provision of grant assistance to strategic community organisations.
- Provision of a support and development service to the Napier tourism sector.
- City marketing and promotion.
- Ongoing Council political advocacy.
- City infrastructure provision.

This task is, as mentioned earlier, a Council-wide corporate responsibility. All facets of the Organisation's operation have a role to play in facilitating the local economic development process. However, since 1989, the Napier City Council has developed three specific structures to be more directly involved in the process. The roles and specific activities of these structures are as follows:

*1 Economic Planning*

This function provides the economic research,

information, monitoring and policy advice required by the Council in relation to its business and employment promotion activities, district planning requirements and other relevant aspects of its overall operation. Specific activities embraced within this function include:

- Preparation of submissions to central government and national organisations on local government, business, economic and other matters.
- Preparation of base information for Council/City marketing and promotion policies.
- Preparation and implementation of tourism surveys (Napier Visitor Monitor and Napier Visitor Opinion Surveys) and monitoring reports.
- Napier/Tomakomai and Napier/Victoria Sister City policies.
- Local economic monitoring: Napier Economic Monitor, Hawkes Bay Region economic/sector forecasts and other specific monitoring projects.
- Business sector liaison: Chamber of Commerce, Advance Hawkes Bay, industry groups and individual business sector organisations.
- Provision of economic information monitoring research and advisory support for Council planning activities, for example, population, household and urban growth strategies for the City.

### 2 *Business Development*

The Council's Enterprise Unit provides the direct business development support service required by the Council to achieve its economic development objectives. The specific activities of the Unit include:

- Business development facilitation. The Unit provides a full facilitation service for new business establishment, business relocation/restructuring/refocussing and company rebuilding.
- "Be Your Own Boss" small business start-up programme.
- General small business start-up advisory service.
- Import substitution surveys. Surveys to identify opportunities for local production substitution of items imported from either elsewhere in New Zealand or from overseas.
- Trade development initiatives in , for example, the Chatham Islands and various Pacific Islands.
- Organisation of Mayoral Enterprise Awards.
- Investment and product "marriage". The Unit assists the Napier Enterprise Board in facilitating international and domestic business migration, investment and product sourcing to Hawkes Bay.

### 3 *Tourism Support and Development*

This responsibility includes tourism promotion, product support and visitor information services provisions. Specific activities pursued here include:

- Ongoing liaison with local tourism organisations, including the Napier Development and Promotional Association and through the Council's regular Tourism Forum.
- Preparation of local tourism promotional material for inclusion in national and international tourism publications.
- Promotion of local tourism opportunities to major in-bound tour operators, tourism wholesale companies and travel agents.
- Operation of the re-vamped Napier Visitor Information Centre.
- Updating and establishment of new tourism information signs and kiosks around the City.
- Participation in the NZ Tourism Exchange.
- Promotion of tourism to Napier at major regional shows.
- Organisation of the Napier City Summer Festival.

In addition to the above main economic development delivery mechanisms, there are

other activities which feed into the Council's economic development work. These include:

- A joint committee of the Napier and neighbouring City of Hastings Councils, which, in the course of its work of addressing matters of strategic importance to both communities, has dealt with mainly economic development related issues.

- Sister City activities, where the focus is on developing meaningful trade opportunities.

- Council provisions of financial assistance to strategic local organisations and activities.

- An ongoing City external marketing programme.

- Council political/economic advocacy.

In the 1992/93 financial year, the Napier City Council's net budgeted expenditure for economic development was NZ$954,300 or 3.9% of total rating income.

### Conclusion

Most New Zealand local authorities are now playing increasingly more active roles in the development of their local economies and the provision of further employment opportunities. This is a reflection of community concern at the adverse local impacts of national economic change, the important and constructive roles that councils can play in facilitating local economic development and the need for local action if individual communities are to maintain a competitive edge over other localities. Resources and other considerations will dictate the extent to which individual authorities become involved in the local economic development process. However, at the very least, local authorities should ensure that their ongoing operations are encouraging of local business development. From these, they can debate at a local level how much further they wish to go in support of local economic development. This will obviously depend on such factors as the structure and current performance of the local economy.•

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